

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Financial Statements
Year Ended December 31, 2021

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
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Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Official Agent and Members of The Liberal Association of Nova Scotia

Qualified Opinion

We have audited the financial statements of The Liberal Association of Nova Scotia (the Association), which comprise the statement of financial position as at December 31, 2021, and the statements of receipts and expenditures, changes in net assets and cash flow 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, 2021, and the results of its operations and its cash flow 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 Association derives revenue from donations and fundraising the completeness of which is not susceptible of 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, excess of revenues over expenses for the year ended December 31, 2021 and 2020, and current assets and net assets as at December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 relating 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.

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Independent Auditor's Report to the Official Agent and Members of The Liberal Association of Nova Scotia (continued)

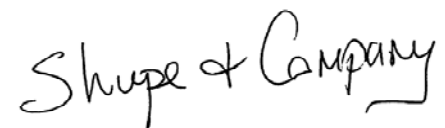
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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 auditor's 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 auditor's 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.

Dartmouth, Nova Scotia
April 29, 2022



SHUPE & COMPANY
Chartered Professional Accountants

THE LIBERAL ASSOCIATION OF NOVA SCOTIA

Statement of Receipts and Expenditures

Year Ended December 31, 2021

	Unrestricted	Invested in Capital Assets	Internally Restricted Election Fund	2021	2020
Revenues					
Contributions	\$ 1,148,153	\$ -	\$ 34,429	\$ 1,182,582	\$ 874,834
Candidate election expense reimbursement	-	-	880,832	880,832	-
Province of Nova Scotia	281,013	-	-	281,013	278,202
HST recovery	112,802	-	-	112,802	17,033
Reimbursement of investigation costs (Note 4)	62,762	-	-	62,762	-
Miscellaneous	5,000	-	-	5,000	874
Interest income	8	-	794	802	2,761
Leadership candidate fees	-	-	-	-	150,000
	1,609,738	-	916,055	2,525,793	1,323,704
Transfers (Note 11)	662,722	-	-	662,722	465,026
	947,016	-	916,055	1,863,071	858,678
Expenditures					
Amortization	-	4,387	-	4,387	2,057
Annual general meeting	1,932	-	-	1,932	-
By-election	-	-	-	-	15,766
Commissions - Women's, Youth, and Senior's Election	3,389	-	-	3,389	4,046
Election readiness	-	-	1,438,738	1,438,738	-
Equipment rentals and maintenance (Note 12)	160,100	-	-	160,100	52,408
Finance charges	3,442	-	-	3,442	4,372
Finance charges	38,389	-	-	38,389	25,133
Fundraising events	10,967	-	-	10,967	5,457
Leader's office	504	-	-	504	6,321
Leadership	97,894	-	-	97,894	58,138
Meetings	-	-	-	-	3,766
Office	68,933	-	-	68,933	64,019
Postage	1,955	-	-	1,955	635
Professional fees	41,473	-	-	41,473	21,482
Professional fees - investigation (Note 4)	62,762	-	-	62,762	-
Rent (Note 12)	42,281	-	-	42,281	42,481
Salaries and benefits	395,888	-	-	395,888	334,128
Sundry	1,233	-	-	1,233	1,611
Telephone	20,391	-	-	20,391	13,711
Travel	20,352	-	-	20,352	18,839
	971,885	4,387	1,438,738	2,415,010	674,370
Excess (deficiency) of revenues over expenditures	\$ (24,869)	\$ (4,387)	\$ (522,683)	\$ (551,939)	\$ 184,308

See notes to financial statements

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Financial Position
December 31, 2021

	2021	2020 <i>(Restated)</i> <i>Note 4</i>
ASSETS		
Current		
Cash	\$ 74,637	\$ 215,031
Accounts receivable <i>(Note 5)</i>	203,328	166,654
Harmonized sales tax recoverable	112,802	17,033
Prepaid expenses	3,162	11,860
	393,929	410,578
Capital assets <i>(Note 6)</i>	6,037	2,740
Cash and term deposits held in trust for Electoral District Associations	-	32,173
Internally restricted election fund assets <i>(Note 7)</i>	117,645	640,328
	\$ 517,611	\$ 1,085,819
LIABILITIES		
Current		
Bank indebtedness	\$ 80,000	\$ -
Accounts payable	45,683	151,889
Deferred receipts - Province of Nova Scotia <i>(Note 10)</i>	70,362	69,927
Due to candidates	41,675	-
	237,720	221,816
Electoral District Associations redistributions	-	32,173
	237,720	253,989
Commitments <i>(Note 12)</i>		
NET ASSETS		
Unrestricted	156,209	188,762
Invested in capital assets	6,037	2,740
Internally restricted election fund	117,645	640,328
	279,891	831,830
	\$ 517,611	\$ 1,085,819

ON BEHALF OF THE BOARD

_____ Director

_____ Director

See notes to financial statements

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Changes in Net Assets
Year Ended December 31, 2021

				2021	2020
	Unrestricted	Invested in capital assets	Internally restricted election fund		(Restated) Note 4
Net assets - beginning of year (Restated)	\$ 188,762	\$ 2,740	\$ 640,328	\$ 831,830	\$ 647,522
Excess of receipts over expenditures	(24,869)	(4,387)	(522,683)	(551,939)	184,308
Purchase of capital assets	(7,684)	7,684	-	-	-
Net assets - end of year	\$ 156,209	\$ 6,037	\$ 117,645	\$ 279,891	\$ 831,830

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Cash Flow
Year Ended December 31, 2021

	2021	2020
Operating activities		
Excess (deficiency) of receipts over expenditures	\$ (551,939)	\$ 184,308
Item not affecting cash:		
Amortization of capital assets	4,387	2,057
	<u>(547,552)</u>	<u>186,365</u>
Changes in non-cash working capital:		
Accounts receivable	(154,319)	44,107
Accounts payable	(106,206)	76,962
Deferred receipts	435	1,505
Prepaid expenses	8,698	(6,696)
Harmonized sales tax	(95,769)	2,780
Due from The Federal Liberal Agency of Canada	-	46,048
Due to candidates	41,675	-
	<u>(305,486)</u>	<u>164,706</u>
	<u>(853,038)</u>	<u>351,071</u>
Investing activity		
Purchase of capital assets	(7,684)	(2,740)
Increase (decrease) in cash	(860,722)	348,331
Cash - beginning of year	855,359	507,028
Cash (deficiency) - end of year	\$ (5,363)	\$ 855,359
Cash (deficiency) consists of:		
Cash	\$ 74,637	\$ 215,031
Bank indebtedness	(80,000)	-
Internally restricted cash	-	640,328
	<u>\$ (5,363)</u>	<u>\$ 855,359</u>

THE LIBERAL ASSOCIATION OF NOVA SCOTIA

Notes to Financial Statements

Year Ended December 31, 2021

1. NATURE OF THE ORGANIZATION

The Association was incorporated on June 26, 2003 under the Societies Act of Nova Scotia and was established to secure good government by supporting the principles and policies of the Liberal Party and to secure the election of candidates to the Nova Scotia Legislative Assembly and the House of Commons. The Association continues to operate under the name Nova Scotia Liberal Party.

The Association is a not-for-profit organization under the Income Tax Act, and as such is not subject to either federal or provincial income taxes.

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 electoral district association.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO). Canadian accounting standards for not-for-profit organization are part of Canadian generally accepted accounting principals.

3. ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash held in deposit accounts at Canadian financial institutions.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Leasehold improvements	5 years	straight-line method

The Association regularly reviews its capital assets to eliminate obsolete items.

Revenue recognition

The Association follows the deferral method of accounting for receipts. Restricted receipts for elections are recognized as revenue of the election fund in the year received. Public funding is recognized on the accrual basis. Unrestricted contributions from donations and fundraising are recognized when received or receivable if collection is reasonably assured. Election expense reimbursements are recognized when the reimbursement can be measured and when collection is reasonably assured. HST recovery is recognized on eligible expenses paid or payable during the year and when collection is reasonably assured.

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THE LIBERAL ASSOCIATION OF NOVA SCOTIA

Notes to Financial Statements

Year Ended December 31, 2021

3. ACCOUNTING POLICIES *(continued)*

Fund accounting

Receipts and expenditures related to program delivery and administrative activities are reported in the Unrestricted Fund.

The Internally restricted election fund was established for the purpose of allocating funds which are to be used for any election purpose during a provincial general election or by-election. Receipts restricted for or otherwise designated by the Provincial Board for the fund are deposited to a separate bank account where they are maintained until needed.

The Capital asset fund reports the assets, liabilities, receipts, and expenditures related to the Association's capital assets.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and expenditures during the period. Actual results could differ from these estimates.

4. PRIOR PERIOD RESTATEMENT

During the year, it was discovered that a former employee made unauthorized disbursements over several years. The Association has received reimbursement for these disbursements and related costs.

A total of \$194,557 was received during the year. \$19,557 of the reimbursement related to unauthorized disbursements in 2020. This was recovered by February 2021 and was included in accounts receivable at December 31, 2020. The investigation continued subsequent to release of the 2020 financial statements, and it was discovered that there were more unauthorized disbursements for years prior to 2020. As a result, an additional \$175,000 was reimbursed which consists of \$62,762 for recovery of legal and forensic audit costs incurred during 2021 and \$112,238 for unauthorized disbursements prior to 2020.

The opening figures have been restated to reflect a receivable of \$112,238 for the reimbursements of fiscal years prior to 2020. The impact of this change on the 2020 amounts presented for comparative purposes is as follows:

	As previously reported	Restatements	As restated
Opening total net assets	\$ 535,284	\$ 112,238	\$ 647,522
Accounts receivable	54,416	112,238	166,654
Ending unrestricted net assets	76,524	112,238	188,762

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2021

5. ACCOUNTS RECEIVABLE

	2021	2020 <i>(Restated)</i>
Candidate election expense reimbursement	\$ 181,754	\$ -
Electoral District Associations	20,194	-
Other	1,380	-
Former employee reimbursement <i>(Note 4)</i>	-	131,795
By-election	-	20,000
Leadership	-	14,859
	\$ 203,328	\$ 166,654

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Furniture and equipment	\$ 8,024	\$ 8,024	\$ -	\$ -
Computer equipment	31,306	25,269	6,037	2,740
Leasehold improvements	7,330	7,330	-	-
	\$ 46,660	\$ 40,623	\$ 6,037	\$ 2,740

7. INTERNALLY RESTRICTED ELECTION FUND ASSETS

	2021	2020
TD Money Market account	\$ -	\$ 17
TD Interest Savings Account, bearing interest at 0.75%	-	640,311
Accounts receivable - election expense reimbursements	117,645	-
	\$ 117,645	\$ 640,328

8. BANK INDEBTEDNESS

The Association has a revolving line of credit of \$300,000. The facility bears interest at the bank's prime rate plus 1 percent per year, is payable on demand, and is secured by a general security agreement over all assets of the Association. The Association has access to credit cards with a combined limit of \$50,000, and if applicable, an interest rate of 15% on overdue payments and 23% on cash advances.

THE LIBERAL ASSOCIATION OF NOVA SCOTIA

Notes to Financial Statements

Year Ended December 31, 2021

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments which consists of cash, accounts receivable, a demand loan, accounts payable and accrued liabilities. It is management's opinion that the Association is not exposed to significant interest, credit, or liquidity risks arising from these financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2021.

Credit risk

Credit risk is the risk that a third party will default on an obligation to the Association, causing the Association to incur a loss. In the normal course of its business, the Association incurs credit risk from trade debtors.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair market value or cash flow of the Association's financial instruments. The Association is primarily exposed to interest rate risk on a fixed rate cash equivalents for which fair market value may decrease if interest rates increase.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, bank indebtedness and demand loan, obligations under capital leases, and accounts payable.

10. DEFERRED RECEIPTS - PROVINCE OF NOVA SCOTIA

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 69,927	\$ 68,422
Receipts	281,448	279,707
Earned	<u>(281,013)</u>	<u>(278,202)</u>
Ending balance	<u>\$ 70,362</u>	<u>\$ 69,927</u>

11. TRANSFERS

	<u>2021</u>	<u>2020</u>
Constituencies and candidates	\$ 519,622	\$ 107,143
Leadership candidates	<u>143,100</u>	<u>357,883</u>
	<u>\$ 662,722</u>	<u>\$ 465,026</u>

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2021

12. LEASE COMMITMENTS

The Association has signed a lease for office equipment under an agreement which expires November 2023. The Association has signed a lease for its premises which expires in June 2026.

The minimum lease payments, excluding common area costs, required under these lease agreements for the next five years are approximately as follows:

	Office Equipment	Premises	Total
2022	\$ 2,160	\$ 20,993	\$ 23,153
2023	1,620	20,993	22,613
2024	-	20,993	20,993
2025	-	20,993	20,993
2026	-	10,497	10,497
	<u>\$ 3,780</u>	<u>\$ 94,469</u>	<u>\$ 98,249</u>

13. PANDEMIC

In March 2020, the World Health Organization declared a global pandemic due to a novel coronavirus. Measures in place to combat the health threat of the virus have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the outbreak is unknown at this time, as are the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of the measures nor their impact on the future financial results and condition of the Association.