

**UNITED CONSERVATIVE PARTY**  
**Financial Statements**  
**Five Month Period Ended December 31, 2017**

**UNITED CONSERVATIVE PARTY**  
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**Five Month Period Ended December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of United Conservative Party

We have audited the accompanying financial statements of United Conservative Party, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flow for the five month period 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 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.

### 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 for our qualified audit opinion.

*(continues)*

Independent Auditor's Report to the Board of Directors of United Conservative Party *(continued)*

Basis for Qualified Opinion

In common with many not-for-profit organizations, United Conservative Party derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of United Conservative Party. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the period ended December 31, 2017, current assets and net assets as at December 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of United Conservative Party as at December 31, 2017 and the results of its operations and its cash flow for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

Without modifying our opinion, we draw attention to Note 6 to the Reclassification of financial results, which explains that the reclassification of income for the year ended December 31, 2017 has been restated from those which we originally reported on March 28, 2018.

Edmonton, Alberta  
July 9, 2018

*Dooward & Company LLP*

CHARTERED ACCOUNTANTS

**UNITED CONSERVATIVE PARTY**  
**Statement of Financial Position**  
**December 31, 2017**

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**ASSETS**

CURRENT

Cash	\$ 416,500
Accounts receivable	83,315
Prepaid expenses	<u>99,576</u>

599,391

EQUIPMENT *(Note 3)*

1,552

\$ 600,943

**LIABILITIES AND NET ASSETS**

CURRENT

Accounts payable	\$ 71,853
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NET ASSETS

529,090

LIABILITIES AND NET ASSETS

\$ 600,943

**ON BEHALF OF THE BOARD**

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See notes to financial statements

**UNITED CONSERVATIVE PARTY**  
**Statement of Operations**  
**Five Month Period Ended December 31, 2017**

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**INCOME**

Contributions - annual	\$ 661,615
Memberships	614,078
Contributions - by-election	478,761
Leadership fees	262,500
Events	52,129
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	2,069,083

**EXPENSES**

Leadership expenses	697,714
Telephone	189,919
Computer and internet	129,208
Professional fees	118,050
Salaries and wages	116,811
Interest and bank charges	59,335
Transfers to Constituency Associations	54,104
Advertising and promotion	43,963
Communications	32,958
Event Costs	28,516
Office	20,285
Election expenses paid outside of campaign period	17,456
Insurance	13,778
Meetings and conventions	9,937
Travel	4,254
Sub-contracts	1,939
Bank charges	1,177
Amortization	589
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	1,539,993

**EXCESS OF INCOME OVER EXPENSES**

\$ 529,090

**UNITED CONSERVATIVE PARTY**  
**Statement of Changes in Net Assets**  
**Five Month Period Ended December 31, 2017**

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	2017
<b>NET ASSETS - BEGINNING OF PERIOD</b>	\$ -
EXCESS OF INCOME OVER EXPENSES	<u>529,090</u>
<b>NET ASSETS - END OF PERIOD</b>	<u>\$ 529,090</u>

See notes to financial statements

**UNITED CONSERVATIVE PARTY**  
**Statement of Cash Flow**  
**Five Month Period Ended December 31, 2017**

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**OPERATING ACTIVITIES**

Excess of income over expenses	\$ 529,090
Item not affecting cash:	
Amortization of equipment	<u>589</u>
	<u>529,679</u>

Changes in non-cash working capital:

Accounts receivable	(83,315)
Accounts payable	71,853
Prepaid expenses	<u>(99,576)</u>
	<u>(111,038)</u>

Cash flow from operating activities	<u>418,641</u>
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**INVESTING ACTIVITY**

Purchase of equipment	<u>(2,141)</u>
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**INCREASE IN CASH FLOW**

416,500

Cash - beginning of period

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**CASH - END OF PERIOD**

\$ 416,500

**UNITED CONSERVATIVE PARTY**  
**Notes to Financial Statements**  
**Five Month Period Ended December 31, 2017**

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1. NATURE OF OPERATIONS

United Conservative Party (the "association") was incorporated provincially under the Societies Act of Alberta on July, 27, 2017. The association is a registered not-for-profit organization and is exempt from the payment of income taxes under the Income Tax Act. As a political party, the association may issue official contribution receipts to its contributors.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The United Conservative Party is registered as a political party under the *Election Finances and Contributions Disclosure Act - Alberta*.

As a not-for-profit organization, the association is exempt from income tax under the *Income Tax Act - Canada*.

These financial statements have been prepared to comply with the financial reporting provisions of the *Election Finances and Contributions Act- Alberta*. Accordingly, they have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO) except where those standards conflict with the requirements of the Act. The only significant requirement of the Act which conflicts with Canadian accounting standards for not-for-profit organizations is the treatment of Election Period Contributions and Expenses which has been described below.

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

Election period contributions and expenses

Under the *Election Finances and Contributions Disclosure Act - Alberta*, all receipts and disbursements during a campaign period (as defined by the Act) are considered to be separate and apart from the normal operations of the association and are required to be reported in a separate statement of receipts and disbursements. These receipts and disbursements are not limited to those receipts and disbursements directly related to the campaign itself, but also include receipts and disbursements incurred relating to the normal operations of the association during campaign periods ("Time Driven Approach"). Any surplus or deficit arising from an election or by-election campaign period is applied directly to the unrestricted net assets in the statement of changes in net assets (deficit).

This treatment differs from Canadian accounting standards for not-for-profit organizations, in that the full amount of receipts and disbursements incurred during the year are not disclosed in the Statement of Receipts and Disbursements.

In 2017, there was one by-election campaign period from November 1, 2017 to December 14, 2017.

The changes to the *Election Finances and Contributions Disclosure Act - Alberta* requiring campaign period activity to be reported using the "Time Driven Approach" became effective January 1, 2015.

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**UNITED CONSERVATIVE PARTY**  
**Notes to Financial Statements**  
**Five Month Period Ended December 31, 2017**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash includes cash and cash equivalents. The Association defines cash as cash on hand and funds held on deposit in the Association's bank accounts.

Equipment

Equipment is stated at cost or deemed cost less accumulated amortization. Equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Computer equipment	55%	declining balance method
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The association regularly reviews its equipment to eliminate obsolete items.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Revenue recognition

United Conservative Party follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including the contribution portion of revenue from fundraising events, are recognized as revenue when received or receivable. Donated goods are recognized as revenue in the period in which the goods are received. These donations are valued at fair market value. Contributed services are not recognized in the Association's financial statements due to the difficulty in determining their fair value.

Membership fees, including amounts received for membership periods of greater than one year, are recognized as revenue when payment is received or receivable.

Fundraising event revenue received or receivable, including the non-contribution portion of revenue from fundraising events, is recognized at the time the event occurs.

Transfers from Constituency Associations and Candidates are recognized as revenue when they are received.

Investment revenue is recognized on an accrual basis as earned. Other revenue, including cost-sharing recoveries, is recognized when payment is received or receivable.

Amounts are considered receivable only when the amount to be received can be reasonably estimated and collection can be reasonably assured.

Fund accounting

United Conservative Party follows the deferral method of accounting for contributions.

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**UNITED CONSERVATIVE PARTY**  
**Notes to Financial Statements**  
**Five Month Period Ended December 31, 2017**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations and the provisions of the *Election Finances and Contributions Act - Alberta* 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 revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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 unrealized 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.

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3. EQUIPMENT

	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 2,141	\$ 589	\$ 1,552

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4. COMMITMENTS

**Lease Commitments**

The association is committed under two operating leases which expire in November 2019 and March 2023. The association's total estimated lease obligations under these leases over the next four years and in aggregate are as follows:

2018	59,065
2019	57,325
2020	19,925
2021	19,925
2022	19,925
2023	<u>3,321</u>
	<u>179,486</u>

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**UNITED CONSERVATIVE PARTY**  
**Notes to Financial Statements**  
**Five Month Period Ended December 31, 2017**

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5. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of December 31, 2017.

*(a) Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is exposed to credit risk with respect to its cash, in that the majority of the funds are held with TD Bank.

*(b) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association's borrowing arrangements are concentrated with a single Canadian Chartered Bank. The association requires the continued support of its creditors (see note 3), donors and members in order to be able to fulfil its obligations on a timely basis.

It is management's opinion that the association is not exposed to significant market, currency or other price risks arising from these financial instruments.

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6. Reclassification of Financial results

After the audited statements were prepared on March 28, 2018 it was determined that the presentation of the income was insufficient for the needs of the users. Subsequently the income was reclassified as shown below to better show the break out of contributions related to a by-election.

	As restated	Previously reported	Restatement
Contributions not exceeding \$250	\$ -	\$ 637,980	\$ (637,980)
Contributions - annual	661,615	-	661,615
Memberships	614,078	633,650	(19,572)
Contributions in excess of \$250	-	482,825	(482,825)
Contributions - by-election	478,761	-	478,761
Leadership fees	262,500	262,500	-
Events	52,129	52,129	-
rounding difference	1	-	1
	-	-	-
	-	-	-
	<u>\$ 2,069,084</u>	<u>\$ 2,069,084</u>	<u>\$ -</u>

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