

**UNITED CONSERVATIVE PARTY**  
**Financial Statements**  
**Year Ended December 31, 2018**

**UNITED CONSERVATIVE PARTY**  
**Index to Financial Statements**  
**Year Ended December 31, 2018**

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**Independent Auditor's Report**

**To the Board of Directors of United Conservative Party**

*Report on the Audit of the Financial Statements*

*Qualified Opinion*

We have audited the financial statements of United Conservative Party ("the Association"), which comprise the statement of financial position as at December 31, 2018 and the statements of revenue and expenditures, changes in net assets and cash flows 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework described in Note 2 to the financial statements.

*Basis for Qualified Opinion*

In common with many not-for profit organizations, United Conservative Party derives a material amount of revenue from donations and 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 year ended December 31, 2018, current assets as at December 31, 2018, and net assets as at December 31, 2018.

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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Basis of Presentation**

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the financial reporting framework used in the preparation of these financial statements. These financial statements are prepared to assist the United Conservative Party to comply with the financial reporting provisions of the Election Finances and Contributions Disclosure Act - Alberta. As a result, these financial statements may not be suitable for any other purposes.

*Other Matter*

The financial statements of United Conservative Party for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion on those statements on March 28, 2018.

### *Other Information*

Management is responsible for the other information. The other information comprises the Political Party Annual Financial Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The other information is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### *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 United Conservative Party's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the United Conservative Party or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the United Conservative Party's financial reporting process.

### *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.

**Calgary, Alberta**  
**March 29, 2019**



**Chartered Professional Accountants**

**UNITED CONSERVATIVE PARTY**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017 <i>(Restated Note 9)</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents <i>(Note 3)</i>	\$ 1,615,399	\$ 416,500
Accounts receivable	811,368	83,315
Prepaid expenses	111,817	99,576
Amount due from related party <i>(Note 8)</i>	11,605	-
	2,550,189	599,391
Property and equipment <i>(Note 4)</i>	92,476	1,552
	\$ 2,642,665	\$ 600,943
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 717,434	\$ 71,853
Other liabilities	114,474	610
Amount due to related party <i>(Note 8)</i>	1,429	-
	833,337	72,463
<b>NET ASSETS</b>	1,809,328	528,480
	\$ 2,642,665	\$ 600,943

**ON BEHALF OF THE BOARD**

*(signed) "Erika Barootes"* \_\_\_\_\_

*(signed) "Sheryl Cymbaliuk"* \_\_\_\_\_

**UNITED CONSERVATIVE PARTY**  
**Statement of Revenues and Expenditures**

	Year Ended December 31, 2018	Five Month Period Ended December 31, 2017 <i>(Restated Note 9)</i>
<b>REVENUES</b>		
Contributions greater than \$250	\$ 3,215,008	\$ 239,952
Contributions of \$250 and less	2,109,756	424,971
Memberships	1,497,750	614,078
Annual general meeting	590,696	-
Other fees and income	158,000	-
Events	65,195	52,129
Transfers from Constituency Associations	45,909	-
Leadership fees	-	262,500
	7,682,314	1,593,630
<b>EXPENSES</b>		
Telemarketing	1,202,709	189,919
Salaries and wages	1,052,162	116,811
Election campaign	920,274	-
Annual general meeting	680,834	-
Subcontracts	522,994	1,939
Computer and internet	306,677	129,208
Nomination process	266,568	-
Transfers to Constituency Associations	221,424	4,104
Credit card processing fees	209,161	59,335
Office	177,877	20,285
Professional fees	163,311	118,050
Event costs	161,740	28,516
Fundraising costs	159,126	-
Travel	135,241	4,254
Leadership expense	-	680,053
Rent	100,508	-
Insurance	89,079	13,778
Advertising and promotion	83,015	43,963
Meetings and conventions	65,018	9,937
Leader's expenses	51,048	-
By-election expenses paid outside of campaign period	17,212	17,456
Communication	32,721	32,958
Over-contributions	13,553	-
Amortization	7,302	589
Bank charges	4,086	1,177
	6,643,640	1,472,332
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 1,038,674</b>	<b>\$ 121,298</b>

**UNITED CONSERVATIVE PARTY**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2018**

	2018	2017 (Restated Note 9)
<b>NET ASSETS - BEGINNING OF PERIOD</b>		
As previously recorded	\$ 529,090	\$ -
Unrecorded accrued liabilities (Note 9)	(610)	-
As restated	528,480	-
<b>EXCESS OF REVENUES OVER EXPENSES</b>	1,038,674	121,298
<b>SURPLUS FROM BY-ELECTION CAMPAIGNS (Schedule 1)</b>	242,174	407,182
<b>NET ASSETS - END OF PERIOD</b>	<b>\$ 1,809,328</b>	<b>\$ 528,480</b>

**UNITED CONSERVATIVE PARTY**  
**Statement of Cash Flows**

	Year Ended December 31, 2018	Five Month Period Ended December 31, 2017 <i>(Restated Note 9)</i>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 1,038,674	\$ 121,298
Surplus from by-election campaigns	242,174	407,182
Item not affecting cash:		
Amortization of equipment	7,302	589
	<u>1,288,150</u>	<u>529,069</u>
Changes in non-cash working capital:		
Accounts receivable	(728,053)	(83,315)
Prepaid expenses	(12,241)	(99,576)
Due to/from related parties	(10,176)	-
Accounts payable and accrued liabilities	645,581	71,853
Other liabilities	113,864	610
	<u>1,297,125</u>	<u>418,641</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(98,226)</u>	<u>(2,141)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,198,899	416,500
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>	<u>416,500</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u>\$ 1,615,399</u>	<u>\$ 416,500</u>

# UNITED CONSERVATIVE PARTY

## Notes to Financial Statements

December 31, 2018

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### 1. NATURE OF OPERATIONS

The 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.

### 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 Disclosure Act – Alberta* (the "Act"). 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.

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 Revenues and Expenditures.

# UNITED CONSERVATIVE PARTY

## Notes to Financial Statements

December 31, 2018

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

In 2017, there was one by-election campaign period from November 14, 2017 to February 14, 2018. In 2018, there was an additional by-election campaign period from June 15, 2018 to September 12, 2018.

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.

#### 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. The Association considers all investments with maturities of three months or less, or that are cashable at any time without penalty, to be cash equivalents.

#### Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and 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
Leasehold improvements	20%	straight line method

The Association regularly reviews its equipment to eliminate obsolete items.

Property and 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 contributed 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.

## UNITED CONSERVATIVE PARTY

### Notes to Financial Statements

December 31, 2018

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

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.

##### 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 Disclosure 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. The Association's financial instruments include cash and cash equivalents, accounts receivable, amounts due to/(from) related parties, accounts payable and accrued liabilities and other liabilities.

#### 3. CASH AND CASH EQUIVALENTS

	2018	2017
Cash at bank and on hand	\$ 1,565,399	\$ 416,500
Guaranteed investment certificates	50,000	-
	<u>\$ 1,615,399</u>	<u>\$ 416,500</u>

The Association has two guaranteed investment certificates, one for \$15,000 and one for \$35,000, which have been assigned as security against the Association's credit cards. The certificates mature on April 19, 2019 and November 28, 2019 and bear interest at 2.25% and 2.62% per annum, respectively.

## UNITED CONSERVATIVE PARTY

### Notes to Financial Statements

December 31, 2018

#### 4. EQUIPMENT

	Cost	2018 Accumulated amortization	Net book value
Computer equipment	\$ 6,969	\$ 1,664	\$ 5,305
Leasehold improvements	93,398	6,227	87,171
	<u>\$ 100,367</u>	<u>\$ 7,891</u>	<u>\$ 92,476</u>

  

	Cost	2017 Accumulated amortization	Net book value
Computer equipment	\$ 2,141	\$ 589	\$ 1,552

#### 5. COMMITMENTS

##### Lease commitments

The Association is committed under three operating leases which expire in November 2019, February 2023, and July 2023. The Association's total estimated lease obligations under these leases over the next five years and in aggregate are as follows:

2019	\$ 143,834
2020	106,434
2021	106,434
2022	106,434
2023	42,004
	<u>\$ 505,140</u>

#### 6. 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, 2018:

##### (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 and cash equivalents. The Association limits its exposure related to this risk by ensuring these financial assets are placed with financial institutions with high credit ratings.

## UNITED CONSERVATIVE PARTY

### Notes to Financial Statements

December 31, 2018

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#### 6. FINANCIAL INSTRUMENTS *(continued)*

##### *(a) Credit risk (continued)*

The Association is also exposed to credit risk related to its accounts receivable, which are mainly comprised of receivables for contributions from a payment processing service provider. The Association's policy to mitigate credit risk associated with these receivables is to perform credit valuations, granting credit upon a review of the credit history of the applicant, and creating an allowance for doubtful accounts when applicable. The Association has not experienced any collection issues and has determined no provision for bad debts is necessary at December 31, 2018 (2017 - \$nil).

##### *(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, donors and members in order to be able to fulfill 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 its financial instruments.

#### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable	\$ 350,771	\$ 7,176
Accrued liabilities	366,663	64,677
	<u>\$ 717,434</u>	<u>\$ 71,853</u>

#### 8. RELATED PARTY TRANSACTIONS

- (a) During the year, the Association entered into transactions with the following related parties:

Wildrose Political Association  
Progressive Conservative Party

Transactions with related parties are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There were no transactions with related parties in either fiscal 2018 or 2017 other than advances to/(from) the related parties (see Note 8(b) for amounts due to/(from) related parties).

## UNITED CONSERVATIVE PARTY

### Notes to Financial Statements

December 31, 2018

#### 8. RELATED PARTY TRANSACTIONS *(continued)*

(b) Advances to/(from) related parties

	2018	2017
Progressive Conservative Party	\$ 11,605	\$ -
Wildrose Political Association	(1,429)	-
	\$ 10,176	\$ -

The amounts due to related parties are non-interest bearing and have no specific terms of repayment. The amounts due to/(from) related parties were settled subsequent to year-end.

#### 9. PRIOR PERIOD ADJUSTMENT

The Association has restated the prior period financial statements for by-election contributions and expenses to be in compliance with the *Election Finances and Contributions Disclosure Act*. As part of the restatement, the surplus arising from the by-election of \$407,182 has been applied directly to unrestricted net assets in the statement of changes in net assets, which affected the presentation of net assets but did not affect total net assets. In order to correctly report prior year revenues, expenses and net assets, we have made the adjustment as summarized below:

	As previously stated	Reclassification	Over- contribution	As Restated
Revenues	\$ 2,069,084	\$ (474,844)	\$ (610)	\$ 1,593,630
Expenses	1,539,994	(67,662)	-	1,472,332
Excess of revenues over expenses	529,090	(407,182)	(610)	121,298
Surplus from by-election campaigns	-	407,182	-	407,182

The restatement also resulted in the Association accruing other liabilities for \$610 related to an over-contribution in 2017, which affects the opening net assets in 2018. In order to correctly report opening balance of net assets, we have made the adjustment as summarized below:

	As previously stated	Restated	Net change
Opening net assets	\$ (529,090)	\$ (528,480)	\$ 610
Other liabilities	-	(610)	(610)
	-	(610)	(610)

#### 10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The prior year comparative figures were audited by another firm of public accountants.

**UNITED CONSERVATIVE PARTY**  
**Schedule to Financial Statements**  
**December 31, 2018**

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**Schedule of by-election campaign revenues and expense**

**Schedule 1**

	Year Ended December 31, 2018	Five Month Period Ended December 31, 2017
<hr/>		
<b>REVENUE</b>		
Contributions greater than \$250	\$ 224,935	\$ 242,873
Contributions of \$250 and less	139,955	231,971
	<hr/>	<hr/>
	364,890	474,844
	<hr/>	<hr/>
<b>EXPENSES</b>		
Transfers to candidates	100,000	50,000
Expenses related to campaign	22,716	17,662
	<hr/>	<hr/>
	122,716	67,662
	<hr/>	<hr/>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 242,174</b>	<b>\$ 407,182</b>
	<hr/>	<hr/>