

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Financial Statements
Year Ended December 31, 2010

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
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Year Ended December 31, 2010

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Shupe & Associates
chartered accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of The Liberal Association of Nova Scotia

I have audited the accompanying financial statements of The Liberal Association of Nova Scotia, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets and cash flow for the year 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 generally accepted accounting principles, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many political organizations, the association derives revenue from political donations and fundraising activities the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the association and I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In my opinion, except for the 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 The Liberal Association of Nova Scotia as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Dartmouth, Nova Scotia
April 26, 2011

SV Shupe & Associates

S V SHUPE & ASSOCIATES
Chartered Accountant


THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Operations
Year Ended December 31, 2010

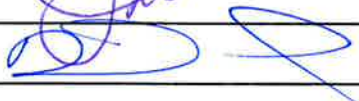
	2010	2009
Receipts		
Contributions	\$ 101,408	\$ 249,556
Fundraising	41,600	133,925
Transfers from electoral district associations	33,004	52,175
Membership fees	26,990	45,544
Province of Nova Scotia	168,125	173,064
Investment income	18,686	876
The Federal Liberal Agency of Canada overhead reimbursement	134,413	94,193
HST recovery	41,305	-
Miscellaneous	3,825	1,256
Candidate election expense reimbursement	-	340,595
	<u>569,356</u>	<u>1,091,184</u>
Expenditures		
Advertising	-	140,277
Amortization	4,263	4,050
Bad debts	21,868	-
By-election	12,743	7,160
Commissions	2,979	3,207
Election	-	658,946
Election readiness	1,232	90,547
Equipment rentals and maintenance (Note 7)	8,936	7,953
Fundraising	32,858	83,023
Interest and bank charges	8,358	12,767
Leader's office	10,171	18,599
Leadership review	9,484	-
Meetings	8,041	3,976
Office supplies	43,355	43,792
Postage	3,755	6,380
Professional fees	23,752	11,566
Rent and business occupancy taxes (Note 7)	33,579	35,230
Salaries and benefits	193,778	193,330
Sundry	1,932	2,266
Telephone	9,792	7,565
Transfers to electoral district associations and candidates	68,285	165,469
Travel	32,554	26,171
	<u>531,715</u>	<u>1,522,274</u>
Excess (deficiency) of receipts over expenditures from operations	<u>37,641</u>	<u>(431,090)</u>
Restricted investment fund income and expenditures		
Investment income, net of third party management fees	139,017	338,387
Professional fees, net of HST recovery	(76,971)	-
	<u>62,046</u>	<u>338,387</u>
Excess (deficiency) of receipts over expenditures for the year	<u>\$ 99,687</u>	<u>\$ (92,703)</u>

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Financial Position
December 31, 2010

	2010	2009
ASSETS		
Current		
Cash	\$ 271,064	\$ 282,164
Accounts receivable	115,800	88,032
Prepaid expenses	3,646	867
	<u>390,510</u>	371,063
Capital assets (Note 3)	3,770	2,379
Internally restricted cash	113,769	83,114
Long term investments	<u>2,522,039</u>	<u>2,433,606</u>
	\$ 3,030,088	\$ 2,890,162
LIABILITIES		
Current		
Bank indebtedness (Note 4)	\$ 35,000	\$ 15,000
Accounts payable	67,251	47,127
Deferred receipts	42,060	41,945
	<u>144,311</u>	<u>104,072</u>
Contingent liability (Note 5)		
Commitments (Note 7)		
NET ASSETS (Page 4)		
Unrestricted	510,533	440,846
Externally Restricted Investment Fund	2,224,094	2,162,048
Invested in Capital Assets	3,770	2,379
Internally Restricted Election Fund	143,926	180,701
Internally Restricted Advertising Fund	<u>3,454</u>	<u>116</u>
	<u>2,885,777</u>	<u>2,786,090</u>
	\$ 3,030,088	\$ 2,890,162

ON BEHALF OF THE TABLE OFFICERS


 _____ President


 _____ Treasurer

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Changes in Net Assets
Year Ended December 31, 2010

	Unrestricted	Externally Restricted Investment Fund	Invested in Capital Assets	Internally Restricted Election Fund	Internally Restricted Advertising Fund	2010	2009
NET ASSETS - BEGINNING OF YEAR	\$ 440,846	\$ 2,162,048	\$ 2,379	\$ 180,701	\$ 116	\$ 2,786,090	\$ 2,878,793
Excess (deficiency) of receipts over expenditures	53,693	62,046	(4,263)	(11,775)	(14)	99,687	(92,703)
Purchase of capital assets	(5,654)	-	5,654	-	-	-	-
Transfers to unrestricted	21,648	-	-	-	(21,648)	-	-
Transfers to advertising fund	-	-	-	(25,000)	25,000	-	-
NET ASSETS - END OF YEAR	\$ 510,533	\$ 2,224,094	\$ 3,770	\$ 143,926	\$ 3,454	\$ 2,885,777	\$ 2,786,090

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Statement of Cash Flow
Year Ended December 31, 2010

	2010	2009
Operating activities		
Receipts from fundraising	\$ 101,078	\$ 249,556
Receipts from membership fees	26,820	45,544
Receipts from miscellaneous sources	372,814	800,884
Payment for expenditures	(495,503)	(1,552,792)
	<u>5,209</u>	<u>(456,808)</u>
Investing activity		
Purchase of equipment	(5,654)	-
	<u>(5,654)</u>	<u>-</u>
Financing activity		
Transfer from investment fund	-	93,750
	<u>-</u>	<u>93,750</u>
Decrease in cash for the year	(445)	(363,058)
Cash - beginning of year	350,278	713,336
Cash - end of year	\$ 349,833	\$ 350,278
CASH CONSISTS OF:		
Cash	\$ 271,064	\$ 282,164
Bank indebtedness	(35,000)	(15,000)
Internally restricted cash	113,769	83,114
	<u>\$ 349,833</u>	<u>\$ 350,278</u>

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2010

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 constituency.

2. ACCOUNTING POLICIES

Capital management

The Association's net assets are comprised of \$2,224,094 externally restricted funds, \$151,150 of internally restricted funds, \$510,533 of unrestricted funds, and any loans outstanding. The Association's objectives when managing capital are to continue as a going concern and to protect its ability to meet its on-going liabilities. The Association maintains sufficient liquidity to meet its obligations as they come due and is not subject to any externally imposed capital requirements.

The externally restricted investment fund was established for the purpose of providing support for the ordinary day to day operations of the Association. The fund is supervised by an Investment Advisory Committee as governed by the by-laws of the Association and is subject to the constraints of an Investment Policy Statement which outlines the investment objectives, risk tolerance, asset mix, and policies regarding periodic reporting and review.

Effective October 20, 2009 the Government of Nova Scotia amended the Members and Public Employees Disclosure Act to prohibit use of held assets for a political purpose.

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 designated for the fund are deposited to a separate account where they are maintained until needed.

The Internally restricted advertising fund was established for the purpose of allocating funds which are to be used for advertising by the Association. Receipts designated for the fund are deposited to a separate account where they are maintained until needed.

(continues)

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2010

2. ACCOUNTING POLICIES *(continued)*

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

The association regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Revenue Recognition

The Association follows the deferral method of accounting for receipts. Restricted receipts are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted receipts are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Multi-year membership revenue and Province of Nova Scotia public funding are recognized on the accrual basis.

Long Term Investments

The long term investments are classified as held for trading and are measured at fair market value which is based on quoted market prices. Unrealized gains and losses are recognized as revenue in the year they occur.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Furniture and equipment	\$ 4,870	\$ 4,870	\$ -	\$ -
Computer equipment	51,559	47,789	3,770	2,379
	<u>\$ 56,429</u>	<u>\$ 52,659</u>	<u>\$ 3,770</u>	<u>\$ 2,379</u>

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2010

4. BANK INDEBTEDNESS

The Association has access to a line of credit of \$350,000 which bears interest at prime plus 1 percent per year and is secured by a general security agreement over all assets of the Association other than long term investments.

5. CONTINGENT LIABILITY

The Association is involved in and potentially subject to a claim by a third party arising out of the normal course and conduct of its business involving an equipment lease in a prior year. Although such matters cannot be predicted with certainty, management currently considers the Association's exposure to the claim and litigation not to be material to these financial statements.

6. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted. The carrying amounts of investments are determined from quoted market prices

Currency Risk

Currency risk is the risk that the value of the Association's financial instruments will fluctuate due to changes in foreign exchange rates. The Association is exposed to foreign currency exchange risk on U.S. and international investments held. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

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 exposed to interest rate risk on fixed income securities. The Association does not use derivative instruments to reduce its exposure to interest rate risk.

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 and fixed income investments.

THE LIBERAL ASSOCIATION OF NOVA SCOTIA
Notes to Financial Statements
Year Ended December 31, 2010

7. COMMITMENTS

The Association leases office equipment under various agreements which expire between June 2010 and October 2013. The Association's current premises lease expires in June 2011. Subsequent to year end the Association signed a new premises lease commencing in July 2011 and ending in June 2016

The minimum lease payments required under these lease agreements for the next five years are approximately as follows:

	Office Equipment	Premises	Total
2011	\$ 3,580	\$ 16,785	\$ 20,365
2012	3,580	17,124	20,704
2013	2,685	17,124	19,809
2014	-	17,124	17,124
2015	-	17,124	17,124
	<u>\$ 9,845</u>	<u>\$ 85,281</u>	<u>\$ 95,126</u>

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.