

UNITED CONSERVATIVE PARTY OF ALBERTA
Financial Statements
Years Ended December 31, 2022 and 2021

UNITED CONSERVATIVE PARTY OF ALBERTA
Index to Financial Statements
Years Ended December 31, 2022 and 2021

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Revenues and Expenditures	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 13
Schedule of election campaign revenues and expenses	14

Independent Auditor's Report

To the Members of United Conservative Party of Alberta

Qualified Opinion

We have audited the financial statements of United Conservative Party of Alberta ("the Association"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021 and the statements of revenues and expenditures, changes in net assets and cash flows for the years 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, 2022 and December 31, 2021, and its financial performance and its cash flows for the years 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, the Association 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 the Association. 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 years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

In connection with the donation and fundraising activities referred to in the preceding paragraph, a portion of some of these revenues is allocated to provincial constituency associations and shown in the records as amounts owing to these associations. There is no practical way to confirm the balances owing to each of these associations, and accordingly our examination was limited to the amounts recorded in the records of the Association. We were unable to determine whether any adjustments might be necessary to liabilities, transfers to constituency associations, the statement of operations and net assets.

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.

Independent Auditor's Report (continued)

Basis of Presentation and Restriction on Use

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 Association 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 purpose.

Other Matter

The United Conservative Party of Alberta has prepared a Political Party Annual Financial Statement for the year ended December 31, 2022, in accordance with the *Election Finances and Contributions Disclosure Act - Alberta* on which we issued a separate independent auditor's report to the members of the Association dated March 31, 2023.

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 *Election Finances and Contributions Disclosure Act - Alberta*, 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 related 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.

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.

Independent Auditor's Report (continued)

- 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, Canada
March 31, 2023



Chartered Professional Accountants

UNITED CONSERVATIVE PARTY OF ALBERTA
Statements of Financial Position
As at December 31, 2022 and 2021

	2022	2021 (Restated Note10)
ASSETS		
CURRENT		
Cash (Note 3)	\$ 3,241,943	\$ 1,123,246
Accounts receivable	585,883	275,911
Prepaid expenses	99,075	94,847
	3,926,901	1,494,004
Property and equipment (Note 4)	14,763	35,616
	\$ 3,941,664	\$ 1,529,620
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 954,147	\$ 347,727
Loan payable (Note 6)	40,000	40,000
	994,147	387,727
TOTAL LIABILITIES	994,147	387,727
NET ASSETS	2,947,517	1,141,893
	\$ 3,941,664	\$ 1,529,620

Commitments (Note 8)

ON BEHALF OF THE BOARD

Signed: “Cynthia Moore”

Signed: “Ken Engler”

UNITED CONSERVATIVE PARTY OF ALBERTA
Statements of Revenues and Expenditures
Years Ended December 31, 2022 and 2021

	2022	2021 (Restated Note 10)
REVENUES		
Contributions greater than \$250	\$ 2,634,369	\$ 2,029,952
Contributions of \$250 and less	1,759,624	725,216
Memberships	1,399,486	206,106
Leadership contestant fees	1,225,000	-
Annual general meeting	545,171	482,647
Transfers from Constituency Associations / Candidates	71,726	96,990
Non-receiptable events	88,828	49,648
Other fees, income and government subsidies (Note 7)	79,881	204,925
Special general meeting	6,443	-
	7,810,528	3,795,484
EXPENSES		
Leadership contest and expenses	1,420,676	42,099
Salaries and wages	835,282	732,522
Special general meeting	630,826	-
Annual general meeting	553,810	496,414
Sub-contracts	536,717	432,070
Fundraising costs	521,475	501,190
Professional fees	370,314	169,717
Credit card processing fees	219,051	70,491
Leadership election deposit refunds	175,000	-
Rent	130,426	147,952
Insurance	97,854	86,813
Computer and internet	82,983	72,590
Election expenses paid outside campaign period	79,424	-
Transfers to Constituency Associations	69,402	145,906
Office	66,337	53,552
Event costs	50,628	-
Travel	29,368	12,003
Telemarketing	21,748	17,637
Election campaign	21,462	109,761
Amortization	21,075	21,374
Meetings and conventions	18,280	4,032
Advertising and promotion	9,379	-
Bank charges	6,782	7,010
Nomination process	945	118
Over-contributions	-	1,100
	5,969,244	3,124,351
EXCESS OF REVENUES OVER EXPENSES	\$ 1,841,284	\$ 671,133

UNITED CONSERVATIVE PARTY OF ALBERTA

Statements of Changes in Net Assets

Years Ended December 31, 2022 and 2021

	2022	2021 (Restated Note 10)
NET ASSETS - BEGINNING OF YEAR		
As previously recorded	\$ 1,141,647	\$ 456,880
Prior period adjustments (<i>Note 10</i>)	246	13,880
As restated	1,141,893	470,760
EXCESS OF REVENUES OVER EXPENSES	1,841,284	671,133
DEFICIT FROM BY-ELECTION CAMPAIGNS (<i>Schedule 1</i>)	(35,660)	-
NET ASSETS – END OF YEAR	\$ 2,947,517	\$ 1,141,893

UNITED CONSERVATIVE PARTY OF ALBERTA

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021 (Restated Note 10)
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,841,284	\$ 671,133
Deficit from by-election campaigns	(35,660)	-
Item not affecting cash:		
Amortization of property and equipment	21,075	21,374
	1,826,699	692,507
Changes in non-cash working capital:		
Accounts receivable	(309,972)	110,683
Prepaid expenses	(4,228)	321
Accounts payable and accrued liabilities	606,421	61,421
	2,118,920	864,932
INVESTING ACTIVITY		
Purchase of property and equipment	(223)	-
INCREASE IN CASH	2,118,697	864,932
CASH – BEGINNING OF YEAR	1,123,246	258,314
CASH – END OF YEAR	\$ 3,241,943	\$ 1,123,246

UNITED CONSERVATIVE PARTY OF ALBERTA

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

1. NATURE OF OPERATIONS

The United Conservative Party of Alberta (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 of Alberta 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 Revenues and Expenses, the accounting for 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 revenues 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 Statements of Revenues and Expenditures.

In 2021, there were no elections or by election campaign periods. In 2022, there were two by-election campaign periods. The first campaign was from February 15, 2022 to May 15, 2022 and the second campaign was from October 11, 2022 to January 8, 2023.

UNITED CONSERVATIVE PARTY OF ALBERTA

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, funds held on deposit in the Association's bank accounts and lines of credit. 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. Amounts drawn against the Association's line of credit are shown within bank indebtedness on the balance sheet.

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 at the following rates and methods:

Computer equipment	55%	declining balance method
Leasehold improvements	20%	straight line method

The Association regularly reviews its property and 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

The Association 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.

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

UNITED CONSERVATIVE PARTY OF ALBERTA
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

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 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.

Government assistance

The Association uses the income approach to account for grants and government assistance received. The income approach requires that the grants and government assistance be credited to the Statement of Revenues and Expenditures as a direct increase in revenue or reduction in expense.

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, accounts receivable, accounts payable and accrued liabilities and loan payable.

3. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at bank	\$ 3,241,943	\$ 1,123,246

The Association has a line of credit with a \$1,000,000 limit. The line bears interest at prime + 1.25% per annum and is repayable on demand. The line is covered under a general security agreement.

4. PROPERTY AND EQUIPMENT

	Cost	2022 Accumulated amortization	Net book value
Computer equipment	\$ 8,767	\$ 8,385	\$ 382
Leasehold improvements	103,038	88,657	14,381
	\$ 111,805	\$ 97,042	\$ 14,763

UNITED CONSERVATIVE PARTY OF ALBERTA
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

4. PROPERTY AND EQUIPMENT *(continued)*

	Cost	2021 Accumulated amortization	Net book value
Computer equipment	\$ 8,544	\$ 7,917	\$ 627
Leasehold improvements	103,038	68,049	34,989
	\$ 111,582	\$ 75,966	\$ 35,616

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021 (Restated Note 10)
Accounts payable	\$ 374,342	\$ 221,451
Accrued liabilities	579,805	126,276
	\$ 954,147	\$ 347,727

6. LOAN PAYABLE

The Association received the Canada Emergency Business Account (CEBA) loan from the Government of Canada in the amount of \$40,000, which bears interest at 0% per annum until December 31, 2023. Interest will accrue at 5% per annum commencing on January 1, 2024. The loan matures on December 31, 2025. If the loan is repaid at or before the December 31, 2023 then \$10,000 of the loan balance will be forgiven.

7. GOVERNMENT SUBSIDIES

During the year, the Association did not apply for or receive the Canada Emergency Wage Subsidy (CEWS). \$ Nil (2021 - \$156,042) has been included in other fees and income on the statement of revenues and expenditures.

During the year, the Association did not apply for or receive the Canada Emergency Rent Subsidy (CERS). \$ Nil (2021 - \$34,999) has been included in other fees and income on the statement of revenues and expenditures.

UNITED CONSERVATIVE PARTY OF ALBERTA
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

8. COMMITMENTS

Lease commitments

The Association is committed under two premises leases which expire in February 2025 and July 2023, and an office equipment lease which expires in June 2022. The Association's total estimated lease obligations under these leases over the next five years and in aggregate are as follows:

2023	\$ 90,861
2024	55,302
2023	<u>9,217</u>
	<u>\$ 155,380</u>

Subsequent to year-end, the Association entered into a new premises lease. The minimum annual payments from this lease have been included above.

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2022:

(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.

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 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, 2022 (2021 - \$nil).

(a) 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.

UNITED CONSERVATIVE PARTY OF ALBERTA

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

10. PRIOR PERIOD ADJUSTMENTS

The Association has restated the prior period financial statements at the request of Elections Alberta for over reported transfer received from Constituency Associations of \$4,086 and an over reported transfer to Constituency Associations of \$8,395. In addition, operating expenses were under recorded in the amount of \$4,062. In order to correctly report prior year revenues, expenses and net assets, the following adjustment was made:

	As previously stated	Adjustment	As Restated
Contributions of \$250 or less	\$ 725,266	\$ (50)	\$ 725,216
Contributions greater than \$250	2,029,902	50	2,029,952
Transfers from Constituency Associations	101,076	(4,086)	96,990
Transfers to Constituency Associations	154,301	(8,395)	145,906
Telemarketing expenses	\$ 13,575	\$ 4,062	\$ 17,637

The restatement also resulted in the Association adjusting accounts payable of \$246, which affects the opening net assets in 2022. In order to correctly report opening balance of net assets, the following adjustment was made:

	As previously stated	Restated	Net change
Accounts payable	\$ 347,973	\$ 347,727	\$ (246)
Opening net assets	\$ 1,141,647	\$ 1,141,893	\$ 246

At the request of Elections Alberta, the Association has restated the 2020 financial statements under recorded and returned Transfers to Constituency Associations. The restatement resulted in the Association accruing liabilities of \$200 and a receivable of \$14,080 at December 31, 2020, which affected the opening net assets in 2021 in the amount of \$13,880. In order to correctly report opening balance of net assets, the following adjustment was made:

	As previously stated	Restated	Net change
Opening net assets	\$ 456,880	\$ 470,760	\$ 13,880

UNITED CONSERVATIVE PARTY OF ALBERTA
Schedules to Financial Statements
Years Ended December 31, 2022 and 2021

Schedules of election and by-election campaign revenues and expense

Schedule 1

	By-election campaign period from October 11, 2022 to January 8, 2023	By-election campaign period from February 15, 2022 to May 15, 2022
REVENUES	\$ -	\$ -
EXPENSES		
Expenses related to campaign	35,660	-
DEFICIT	\$ (35,660)	\$ -