


PEOPLE'S PARTY OF CANADA

AUDITED FINANCIAL STATEMENTS

For the year of fifteen months ended December 31, 2019

BVA  **BLANCHETTE
VACHON** s.e.n.c.r.l.
Société de comptables
professionnels agréés

Membre indépendant **BKR International**

PEOPLE'S PARTY OF CANADA

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INDEPENDENT AUDITORS' REPORT

To the Directors of
PEOPLE'S PARTY OF CANADA
Gatineau, Québec

Qualified Opinion

We have audited the financial statements of People's Party of Canada, which comprise the financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year of fifteen months then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the *Basis for the Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and the results of its operations and its cash flows for the year of fifteen months then ended in accordance with Canadian Accounting Standards for not-for-profit organization.

Basis for the Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Entity and we are not able to determine whether any adjustments might be necessary to donations and contributions revenues, the excess of revenues over expenses and cash flows from operations for the year ended December 31, 2019, current assets as at December 31, 2019 and net assets as at December 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 management and 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.

*Blanchette Vachon s.e.m.c.n.l.*¹

Saint-Georges, Canada

July 22, 2020

¹ Chartered professional accountant auditor, CA, public accountancy permit No. A114407

Operations

For the year of fifteen months ended December 31, 2019

REVENUE

Donations and contributions	1,981,757
Membership	29,487
Official agent Maxime Bernier, independent candidate	331,265
Transfers received from an Electoral District Association	<u>10,281</u>
	2,352,790

EXPENSES

Salaries and benefits	525,415
Advertising - Radio and television	288,167
Advertising - Social media	69,889
Advertising - Other	62,665
Supporters rally	156,269
National convention	63,258
Rent	30,861
Lawyer fees	153,946
Professional fees	69,970
Office supply	37,160
Database	45,952
Telecommunications	5,329
Travel	159,943
Transfers - Association PPC Beauce for the Chief national campaign	84,270
Transfers - Association PPC Beauce for the Chief local campaign	92,000
Transfers - Other Electoral District Associations for by-elections and events	81,579
Interest and bank charges	50,958
Amortization of capital assets	<u>411</u>
	<u>1,978,042</u>

EXCESS OF REVENUE OVER EXPENSES**\$ 374,748**

The accompanying notes to the financial statements are an integral part of these statements.

Changes in net assets

For the year of fifteen months ended December 31, 2019

NET ASSETS	<u>Invested in capital assets</u>	<u>Unrestricted</u>	<u>Total</u>
BEGINNING OF YEAR	-	-	-
Excess of revenue over expenses	(411)	375,159	374,748
Investment in capital assets	<u>7,200</u>	<u>(7,200)</u>	<u>-</u>
END OF YEAR	<u>\$ 6,789</u>	<u>\$ 367,959</u>	<u>\$ 374,748</u>

The accompanying notes to the financial statements are an integral part of these statements.

Cash flows

For the year of fifteen months ended December 31, 2019

CASH FLOWS FROM: (note 8)**OPERATING ACTIVITIES**

Excess of revenue over expenses	374,748
Non-cash item:	
Amortization	<u>411</u>

375,159

Net change in non-cash working capital items	<u>113,793</u>
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488,952

INVESTING ACTIVITIES

Net changes in term deposits	(20,000)
Acquisition of capital assets	<u>(7,200)</u>
	<u>(27,200)</u>

INCREASE IN CASH AND CASH EQUIVALENTS

461,752

Cash and cash equivalents, beginning of year	<u>-</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR**\$ 461,752**

The accompanying notes to the financial statements are an integral part of these statements.

Financial position

As at December 31, 2019

ASSETS**Current assets**

Cash	211,752
Term deposits, 1.45 to 1.7%	270,000
Accounts receivable	104,805
Prepaid expenses	<u>14,970</u>
	601,527

Long-lived assets

Capital assets - note 3	<u>6,789</u>
	\$ <u>608,316</u>

LIABILITIES**Current liabilities**

Accounts payable - note 4	86,249
Current portion of deferred membership revenue - note 7	<u>47,339</u>
	133,588

Long-term liabilities

Deferred membership revenue - note 7	<u>99,980</u>
	233,568

NET ASSETS**Investment in capital assets****Unrestricted**

	6,789
	<u>367,959</u>
	<u>374,748</u>
	\$ <u>608,316</u>

The accompanying notes to the financial statements are an integral part of these statements.

On behalf of the Board

_____, director

_____, director

Notes to the consolidated financial statements

For the year of fifteen months ended December 31, 2019

1. LEGAL FORM AND ENTITY OBJECTIVES

The People's Party of Canada had been incorporated under the Canada not-for-profit Corporations Act on October 2018 and had been registered under the Canada Election Act on January 2019. The four values of the People's Party of Canada are: freedom, fairness, personal responsibility and respect. The People's Party of Canada is a not-for-profit organization and is exempt of income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Entity prepares its financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, which include the following significant accounting policies:

Use of estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and the disclosure of contingent assets and liabilities as at the financial position statement date.

Significant estimates include the assets' useful lives used to calculate depreciation and their net recoverable value, the valuation of accrued liabilities included in accounts payable. Actual results could differ from those estimates. However, management considers that the estimates used in the preparation of these financial statements present fairly the Entity's situation.

Revenue recognition

The Entity follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Memberships are recognized in the years to which they relate.

Other revenue is recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Financial instruments***Financial instrument measurement***

The Entity initially measures its financial assets and liabilities at fair value.

Subsequently, the Entity measures financial instruments at cost or amortized cost.

Financial assets measured at amortized cost using the straight-line method include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost using the straight-line method include accounts payable other than amounts to be returned to the State.

Notes to the consolidated financial statements

For the year of fifteen months ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)***Impairment*

Financial assets measured at cost or amortized cost are tested for impairment when there are indications of impairment. The amount of the write-down, if any, is recognized in income. The previously recognized impairment loss must be reversed to the extent of the improvement, directly or through the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been previously recognized. The amount of the reversal, if any, is recognized in income.

Transaction costs

The Entity recognizes its transaction costs in income in the period they are incurred. However, financial instruments that will not be subsequently measured at fair value are increased by the transaction costs that are directly attributable to their acquisition, creation, issuance or assumption. These costs are amortized over the expected life of the related financial instrument.

Capital assets

Capital assets are accounted for at cost and depreciated, based on their respective useful life, using the declining balance method at the following rates:

Furniture	10 %
Computer equipment	20 %

Impairment of long-lived assets

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recorded when the carrying amount of an asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value
Furniture	1,997	4	1,993
Computer equipment	<u>5,203</u>	<u>407</u>	<u>4,796</u>
	\$ <u>7,200</u>	\$ <u>411</u>	\$ <u>6,789</u>

4. ACCOUNTS PAYABLE

Provider and accrued liabilities	21,938
Salaries	26,835
Amounts to be returned to the state	10,248
Others	<u>27,228</u>
	\$ <u>86,249</u>

Notes to the consolidated financial statements

For the year of fifteen months ended December 31, 2019

5. CONTINGENCY

The People's Party of Canada has taken legal action which should result in damages of \$ 31 298 in 2020. This gain is presented in the notes to the financial statement only and has not been recorded in the revenue during the year.

6. COMMITMENTS

The entity has signed a rent agreement for one year in 2019. The total future minimum payments under this agreement amounts to \$ 31 822.

7. DEFERRED MEMBERSHIP REVENUE

Deferred membership revenue represent memberships rights relate to following years.

Minus: Amount recognized as revenue for the year	(29,487)
Plus: Amounts received during the year	<u>176,806</u>
	147,319
Current portion of deferred membership revenue	<u>47,339</u>
End of year	\$ <u>99,980</u>

Notes to the consolidated financial statements

For the year of fifteen months ended December 31, 2019

8. CASH FLOWS**Net change in non-cash working capital items**

Accounts receivable	(104,805)
Prepaid expenses	(14,970)
Accounts payable	86,249
Deferred membership revenue	<u>147,319</u>
	\$ <u>113,793</u>

Cash and cash equivalents

The Entity's policy is to present in cash and cash equivalents bank balances, including bank overdrafts when the bank balances fluctuate frequently from being positive to overdrawn and temporary investments when the maturing date does not exceed three months following the acquisition date or redeemable at any time. Furthermore, term deposits assigned as security are not included in cash and cash equivalents.

Cash	211,752
Term deposits	<u>250,000</u>
	\$ <u>461,752</u>

9. SUBSEQUENT EVENT

During March 2020, World Health Organization declared a global pandemic due to the new coronavirus (COVID-19). This situation is constantly evolving and the measures put in place have numerous economic impacts at the global, national, provincial and local levels.

The overall impact of these events on the Entity and its activities is too uncertain to be estimated at this time. The impacts will be recorded when they are known and can be assessed.

10. FINANCIAL INSTRUMENTS**Risk**

The Entity, through its financial instruments, is exposed to various risks. The following analysis describes the Entity's risk exposure as at the financial position date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to this risk mainly in respect of its accounts payable other than the amounts to be returned to the state.