PEOPLE'S PARTY OF CANADA

AUDITED FINANCIAL STATEMENTS



PEOPLE'S PARTY OF CANADA

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Operations	4
Changes in net assets	5
Cash flows	6
Financial position	7
Notes to the financial statements	8 - 12





INDEPENDENT AUDITOR'S REPORT

To the Directors of PEOPLE'S PARTY OF CANADA

Ottawa, ON

Qualified Opinion

We have audited the financial statements of People's Party of Canada, which comprise the financial position as at December 31, 2022, and the statements of operations, 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 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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for the Qualified Opinion

As with many not-for-profit organizations, the entity derives revenues from donations and contributions, the completeness of which cannot be satisfactorily audited. Accordingly, our audit of such revenues was limited to the amounts recorded in the entity's accounts and we were unable to determine whether any adjustments might need to be made to the amounts of revenues from donations and contributions, excess of revenues over expenses and cash flows from operating activities for the years ended December 31, 2022 and December 31, 2021, current assets as at December 31, 2022 and December 31, 2021 and net assets as at January 1 and December 31, 2022 and 2021. We therefore expressed a modified audit opinion on the financial statements for the year ended December 31, 2021 due to the possible effects of this scope limitation.

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 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 opinion.

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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.

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 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 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 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.

Saint-Georges, Canada

Blanchette Vachon s.e.m.c.n.l.

June 26, 2023

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

Operations

	2022	2021
REVENUES		
Donations and contributions	1,588,796	2,942,602
Membership	182,250	143,754
Transfers received from Electoral District Associations	22,041	21,588
Interest income	23,413	1,806
Promotional material	36,454	39,805
Election reimbursements	707,018	-
Other revenues	4,000	
	2,563,972	3,149,555
EXPENSES		
Salaries and benefits	613,644	536,801
Advertising - Radio and television	(593)	1,041
Advertising - Social media and billboards	23,963	698,071
Advertising - Text and phone messages	274,121	645,010
Supporters rallies	-	10,529
Rent	39,093	26,994
Professional fees	298,376	235,065
Office supplies	36,422	57,155
Database	84,951	103,730
Posters and placards	10,575	-
Telecommunications	6,685	6,254
Travel	196,939	243,615
Transfers - Electoral District of Association PPC de Beauce for the		
leader's national campaign	-	40,000
Transfers - Other Electoral District Associations for elections and		
events	12,229	150,551
Transfers to candidates by-elections	20,357	-
Interest and bank charges	55,766	111,865
Amortization of capital assets	1,852	2,193
	1,674,380	2,868,874
EXCESS OF REVENUES OVER EXPENSES	\$889,592	\$280,681_

Changes in net assets

			2022	2021
NET ASSETS	nvested in oital assets	Unrestricted	Total	Total
BEGINNING OF YEAR	13,667	1,009,268	1,022,935	742,254
Excess of revenues over expenses	 (1,852)	 891,444	 889,592	 280,681
END OF YEAR	\$ 11,815	\$ 1,900,712	\$ 1,912,527	\$ 1,022,935

Cash flows

CASH FLOWS FROM: (note 9)	2022	2021
OPERATING ACTIVITIES Excess of revenues over expenses Non-cash item:	889,592	280,681
Amortization of capital assets	1,852	2,193
	891,444	282,874
Net change in non-cash working capital items	24,421	(95,304)
	915,865	187,570
INVESTING ACTIVITIES		
Net changes in temporary investments	(1,065,170)	(454,830)
FINANCING ACTIVITIES Net changes in deferred membership revenues	(60,144)	289,102
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(209,449)	21,842
Cash and cash equivalents, beginning of year	453,477	431,635
CASH AND CASH EQUIVALENTS, END OF YEAR	\$244,028	\$ \$

Financial position

As at December 31, 2022

ASSETS	2022		2021
Current assets			
Cash	244,028		453,477
Term deposits, 1.75 to 4.20%, 2023	1,600,000		534,830
Accounts receivable	 410,456		439,990
	2,254,484		1,428,297
Long-lived assets			
Investments - note 3	100,000		100,000
Capital assets - note 4	 11,815		13,667
	\$ 2,366,299	\$	1,541,964
LIABILITIES			
Current liabilities			
Accounts payable - note 5	72,433		77,546
Current portion of deferred membership revenues - note 6	 148,719		153,857
	221,152		231,403
Long-term liabilities			
Deferred membership revenues - note 6	 232,620	_	287,626
	453,772		519,029
NET ASSETS			•
Invested in capital assets	11,815		13,667
Unrestricted	 1,900,712		1,009,268
	 1,912,527	_	1,022,935
	\$ 2,366,299	\$	1,541,964

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

On behalf of the Board

 , director
, director

For the year ended December 31, 2022

1. LEGAL FORM AND ENTITY OBJECTIVES

The People's Party of Canada was incorporated under the Canada Not-for-Profit Corporations Act in October 2018 and was registered under the Canada Election Act in 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 and 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 applies 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 fiscal years to which they relate.

Other revenues are recognized when there is convincing evidence of the existence of an agreement, the services have been rendered, there is no uncertainty as to their acceptance, amount of income is fixed or determinable and collection is reasonably assured.

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Initial measurement

The entity initially measures its financial assets and financial liabilities created or exchanged in arm's length transactions at fair value. Financial assets and financial liabilities that have been created or exchanged in related party transactions, except for parties that have no other relationship with the entity than in their capacity as members of management, are initially measured at cost.

The cost of a financial instrument resulting from a related party transaction depends on whether or not this instrument has repayment terms. The cost of a related party financial asset or financial liability with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, and less any impairment losses already recognized by the assignor. When the financial instrument does not have repayment terms, the cost is determined based on the consideration transferred or received by the entity as part of the transaction.

Subsequent measurement

The entity subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for investments in mutual funds which are designated to be measured at fair value. Changes in the fair value of these financial instruments are recognized in earnings in the year in which they occur.

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

Financial assets measured at fair market value include mutual funds.

Transaction costs

Transaction costs attributable to financial instruments measured subsequently at fair value and those created or exchanged in a related party transaction are recognized in income of the fiscal year in which they are incurred. Transaction costs related to financial instruments created or exchanged in arm's length transactions that are subsequently measured at cost or amortized cost are included in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are then recognized in income over the term of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the entity assesses whether there are indications of possible impairment. If so, and the entity determines that there has been a material adverse change during the year in the expected timing or amount of future cash flows, an impairment loss is recognized in earnings. If the indications of impairment diminish or disappear, the previously recognized impairment loss shall be reversed to the extent of the improvement. The book value of the financial asset cannot be greater than what it would have been on the date of the reversal had the impairment never been recognized. The reversal of value is recorded in the results.

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are accounted for at cost and amortized, 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 disposal. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value.

3. INVESTMENTS

				2022		2021
Mutual funds				\$ 100,000	\$	100,000
4. CAPITAL ASSETS						
		A	ccumulated	Net carr	ying an	nount
	Cost	aı	nortization	2022		2021
Furniture	10,358		2,430	7,928		8,809
Computer equipment	 7,506		3,619	 3,887		4,858
	\$ 17,864	\$	6,049	\$ 11,815	\$	13,667
5. ACCOUNTS PAYABLE						
				2022		2021
Trade payables				14,745		26,180
Salaries				43,408		23,900
Government remittances				13,380		16,945
Others				 900		10,521
				\$ 72,433	\$	77,546

For the year ended December 31, 2022

6. DEFERRED MEMBERSHIP REVENUES

Deferred membership revenues represent memberships rights related to the following years.

	2022	2021
Beginning of year	441,483	152,381
Minus: Amount recognized as revenue for the year Plus: Amounts received during the year	(182,250) 122,106	(143,754) 432,856
End of year	381,339	441,483
Current portion of deferred membership revenues	148,719	153,857
	\$ <u>232,620</u> \$	287,626

7. COMMITMENTS

The entity has signed a rent agreement for three years in 2022 for the lease of an office. The total future minimum payments under this agreement amounts to \$83,565.

Future minimum payments for the next five years are as follows:

2023	2024	2025
\$ 34,370	\$ 34,687	\$ 14,508

8. COMPARATIVE FIGURES

Certain figures from the prior year's financial statements have been reclassified to conform to the presentation adopted for the current year.

9. CASH FLOWS

Net change in non-cash working capital items	2022	2021
Accounts receivable	29,534	(115,409)
Prepaid expenses	-	4,287
Accounts payable	(5,113)	15,818
	\$ <u>24,421</u> \$	(95,304)

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 when they are redeemable at any time. Furthermore, term deposits assigned as sureties are not included in cash and cash equivalents.

For the year ended December 31, 2022

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 than 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 government remittances.

Market risk

The entity is exposed to market risk mainly in respect of its investment in mutual funds whose fair value fluctuates with their market price.