



**Suntharalingam  
Professional Corporation**  
Chartered Accountant and Business Advisor

June 5, 2013

### **Independent Auditor's Report**

To the Chief Agent for the  
Communist Party of Canada

I have audited the accompanying Registered party Financial Transactions Return (the "Return") of the Communist Party of Canada as at December 31, 2012 and for the year then ended. The financial information in the Return has been prepared by the Chief Agent of the Communist Party of Canada based on the financial reporting provisions of Section 424 of the Canada Elections Act and in the prescribed form issued by Elections Canada.

### **The Chief Agent's Responsibility for the Return**

The Chief Agent is responsible for the preparation of the Return in accordance with financial reporting provisions of Section 424 of the Canada Elections Act and in the prescribed form issued by Elections Canada and for such internal control as the Chief Agent determines is necessary to enable the preparation of a Return that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the Return 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 whether the Return is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Return. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Return, 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 Return 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 the client agent, as well as evaluating the overall presentation of the Return.

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

Authorized to practice public accounting by The Institute of Chartered Accountants of Ontario.

**Basis of Qualified Opinion**

In common with many not-for-profit organizations, the Communist Party of Canada derives a substantial portion of its revenue from donations and contributions, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of revenue from this source was limited to accounting for the amounts recorded in the books of the Communist Party of Canada and I was not able to determine where any adjustment might be necessary to the amount of donations and contributions reported.

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the Return of the Communist Party of Canada for the year ending December 31, 2012 is prepared, in all material respects, in accordance with the financial reporting provisions of Section 424 of the Canada Elections Act and in the prescribed form issued by Elections Canada.

**Basis of Accounting and Restriction on Use**

I draw your attention to the Note to the Return which describes the basis of accounting. The Return is prepared to assist the chief agent of the Communist Party of Canada to meet the requirements of the Canada Elections Act. As a result, the Return may not be suitable for another purpose. My report is intended solely for the chief agent of the Communist Party of Canada and the chief electoral officer, and should not be used by parties other than the chief agent and the chief electoral officer.

**Report on the Other Legal and Regulatory Requirements**

As required by Subsection 426 (1) of the Canada Elections Act, in my opinion, the Return presents the information contained in the financial records on which it is based.



**Krishan Suntharalingam**  
**Chartered Accountant**  
**Chartered Professional Accountant**



**Suntharalingam  
Professional Corporation**  
Chartered Accountant and Business Advisor

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## INDEPENDENT AUDITOR'S REPORT

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To the Chief Agent and Central Executive Committee for Communist Party of Canada

I have audited the accompanying financial statements of Communist Party of Canada, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, changes in net assets and cash flows 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 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.

### 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.

Authorized to practice public accounting by The Institute of Chartered Accountants of Ontario.



Independent Auditor's Report to the the Chief Agent and Central Executive Committee of Communist Party of Canada (continued)

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, I was not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses and cash flows from operations for the year ended December 31, 2012, current assets and net assets as at January 1, 2012 and December 31, 2012.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the basis of qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Communist Party of Canada as at December 31, 2012 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.

Comparative Information

Without modifying my opinion, I draw attention to Note 9 to the financial statements which describes that Communist Party of Canada adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. I was not engaged to report on the restated comparative information, and as such, it is unaudited.

Toronto, Ontario  
June 5, 2013

  
CHARTERED PROFESSIONAL ACCOUNTANT  
CHARTERED ACCOUNTANT

**COMMUNIST PARTY OF CANADA**  
**Financial Statements**  
**Year Ended December 31, 2012**

**COMMUNIST PARTY OF CANADA**  
**Index to Financial Statements**  
**Year Ended December 31, 2012**

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**COMMUNIST PARTY OF CANADA**  
**Statement of Financial Position**  
**December 31, 2012**

	2012	2011 (Note 9)
<b>ASSETS</b>		
CURRENT		
Cash	\$ 20,904	\$ 20,958
Accounts receivable (Note 4)	16,546	1,000
	<u>37,450</u>	21,958
CAPITAL ASSETS (Note 5)	181	226
	<u>\$ 37,631</u>	<u>\$ 22,184</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	\$ 8,237	\$ 5,165
Convention fund payable	-	3,143
	<u>8,237</u>	8,308
NET ASSETS - UNRESTRICTED	<u>29,394</u>	13,876
	<u>\$ 37,631</u>	<u>\$ 22,184</u>

Approved on behalf of the Organization's Executive committee:

\_\_\_\_\_ Chief Agent

\_\_\_\_\_ Leader

See accompanying notes to financial statements

**COMMUNIST PARTY OF CANADA**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2012**

	2012	2011 <i>(Note 9)</i>
<b>NET ASSETS - UNRESTRICTED, BEGINNING OF YEAR</b>	<b>\$ 13,876</b>	<b>\$ 22,578</b>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u><b>15,518</b></u>	<u><b>(8,702)</b></u>
<b>NET ASSETS - UNRESTRICTED, END OF YEAR</b>	<u><b>\$ 29,394</b></u>	<u><b>\$ 13,876</b></u>

See accompanying notes to financial statements



# COMMUNIST PARTY OF CANADA

## Statement of Operations

Year Ended December 31, 2012

	2012	2011 (Note 9)
<b>REVENUE</b>		
Political donations	\$ 83,673	\$ 96,513
Transfers	5,580	800
Other income	4,957	1,592
Literature sales	454	95
	<u>94,664</u>	<u>99,000</u>
<b>EXPENSES</b>		
Salaries and benefits	40,010	33,495
Office expense	12,165	12,885
Professional fees	8,720	13,105
Travel	8,671	12,228
Advertising	6,818	5,965
Literature purchases	1,398	1,018
Youth subsidy	852	3,705
Bank charges	467	406
Amortization	45	230
General election expense	-	24,665
	<u>79,146</u>	<u>107,702</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 15,518</u>	<u>\$ (8,702)</u>

See accompanying notes to financial statements

**COMMUNIST PARTY OF CANADA**  
**Statement of Cash Flows**  
**Year Ended December 31, 2012**

	2012	2011 <i>(Note 9)</i>
<b>OPERATING ACTIVITIES</b>		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 15,518	\$ (8,702)
Amortization	45	230
	<u>15,563</u>	<u>(8,472)</u>
Changes in non-cash working capital:		
Accounts receivable	(15,546)	(1,000)
Accounts payable and accrued liabilities	3,072	3,526
Convention fund payable	(3,143)	-
Prepaid expense	-	175
	<u>(15,617)</u>	<u>2,701</u>
<b>DECREASE IN CASH FLOW</b>	<b>(54)</b>	<b>(5,771)</b>
CASH - BEGINNING OF YEAR	<u>20,958</u>	<u>26,729</u>
<b>CASH - END OF YEAR</b>	<b>\$ 20,904</b>	<b>\$ 20,958</b>

See accompanying notes to financial statements

# COMMUNIST PARTY OF CANADA

## Notes to Financial Statements

Year Ended December 31, 2012

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### 1. PURPOSE OF THE ORGANIZATION

The Communist Party of Canada (the "Organization") is a not-for-profit political organization. The organization is a registered official political party under the Elections Canada Act. The organization strives to unite within its ranks all those who defend and advance the interests of the working class in Canada and who aspire for a socialist future. The organization participates in federal elections and is active in a wide range of extra parliamentary activities across Canada on a consistent and ongoing basis. The organization is a not for profit organization under the Income Tax Act (Canada) and as such, is exempt for income taxes, provided certain requirements of the Income Tax Act are met.

### 2. BASIS OF PRESENTATION

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

#### 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:

Office equipment	20%	declining balance method
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In the year of acquisition, capital assets are amortized at 50% of the annual rate.

#### Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets and the valuation allowances for accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

*(continues)*

**COMMUNIST PARTY OF CANADA**

**Notes to Financial Statements**

**Year Ended December 31, 2012**

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

Revenue recognition

Unrestricted donations to the Communist Party of Canada are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Other income, transfers and literature sales are recognized as revenue when earned or shipped if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments policy

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

**4. ACCOUNTS RECEIVABLE**

	<b>2012</b>	<b>2011</b>
Donations receivable	<b>\$ 16,546</b>	<b>\$ 1,000</b>

The organization has \$Nil (2011 - \$Nil) allowance for doubtful accounts.

**5. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2012 Net book value</b>	<b>2011 Net book value</b>
Office equipment	<b>\$ 1,224</b>	<b>\$ 1,043</b>	<b>\$ 181</b>	<b>\$ 226</b>

**6. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX**

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances are included in accounts payable and accrued liabilities at year end:

	<b>2012</b>
Employee deductions payable	<b>3,418</b>

For fiscal 2011, the organization has \$Nil government remittances were payable at year end and are included in accounts payable and accrued liabilities.

# COMMUNIST PARTY OF CANADA

## Notes to Financial Statements

Year Ended December 31, 2012

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### 7. CAPITAL DISCLOSURE

The organization's capital is made up of net assets. The organization manages its capital structure by monitoring its cash flows to maintain a satisfactory level of capital.

### 8. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of December 31, 2012.

#### Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new member's credit history before extending credit and conducts regular reviews of its existing members' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of members which minimizes concentration of credit risk.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable.

**COMMUNIST PARTY OF CANADA**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

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**9. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

The organization has elected to apply the standards in Part III of the CICA Accounting Handbook for not-for-profit organizations in accordance with Canadian generally accepted accounting principles. These financial statements are the first financial statements for which the entity has applied Canadian accounting standards for not-for-profit organizations (ASNPO).

The financial statements for the year ended December 31, 2012 were prepared in accordance with the accounting principles and provisions set out in First Time Adoption, Section 1501 for first time adopters of ASNPO. The application of adopting this new financial reporting framework had no impact on the previously reported financial position as at January 1, 2011 and December 31, 2011 or to previously reported the statement of operations or statement of changes in net assets for the year-ended December 31, 2011. Consequently a reconciliation of previously reported excess of revenue over expenses in the statement of operations and net assets as reported using accounting standard for not-for-profit organizations was not prepared. As the comparative information was not the subject of an audit engagement report under ASNPO, it is neither audited nor reviewed. The opening statement of financial position as at January 1, 2011 as follows:

**ASSETS**

**Current**

Cash	\$	26,729
Prepaid expense		175
		<u>26,904</u>

**Capital assets**

	<u>456</u>
<b>\$</b>	<b><u>27,360</u></b>

**LIABILITIES**

**Current**

Accounts payable and accrued liabilities	\$	1,639
Convention fund payable		3,143
		<u>4,782</u>

**NET ASSETS**

Net assets		22,578
<b>\$</b>		<b><u>27,360</u></b>