

The Federal Liberal Agency of Canada

Financial Statements
December 31, 2003

May 21, 2004

Auditors' Report

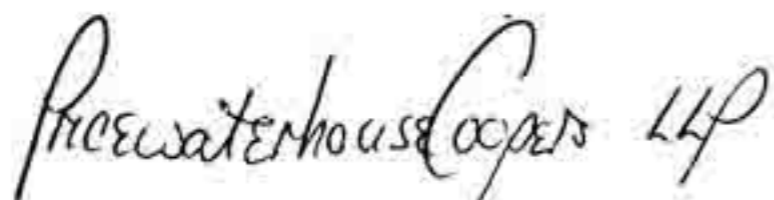
To the Board of Directors of The Federal Liberal Agency of Canada, Chief Agent for the Liberal Party of Canada

We have audited the statement of financial position of **The Federal Liberal Agency of Canada** as at December 31, 2003 and the statements of operations, changes in net assets (liabilities) and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Agency derives revenue from contributions and other sources, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Agency and we were not able to determine whether any adjustments might be necessary to revenue, constituency and other party organizations' share of contributions, excess of revenue for the year, assets and net liabilities.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of contributions and other revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2003 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

(1)

The Federal Liberal Agency of Canada

Statement of Financial Position

As at December 31, 2003

	2003 \$	2002 \$
Assets		
Current assets		
Cash	2,984,958	354,663
Accounts receivable	1,092,536	855,912
Prepaid expenses	—	24,121
Funds held in trust	240,000	—
	<hr/>	<hr/>
	4,317,494	1,234,696
	263,451	133,983
	<hr/>	<hr/>
	4,580,945	1,368,679
Liabilities		
Current liabilities		
Demand bank loans	—	1,520,000
Accounts payable and accrued liabilities	5,132,000	1,209,371
	<hr/>	<hr/>
	5,132,000	2,729,371
Net liabilities		
Unrestricted	(814,506)	(1,494,675)
Invested in capital assets	263,451	133,983
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	(551,055)	(1,360,692)
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	4,580,945	1,368,679

Signed on Behalf of the Board



Director



Director

The Federal Liberal Agency of Canada

Statement of Operations

For the year ended December 31, 2003

	2003 \$	2002 \$
Revenue		
Contributions	23,728,181	16,832,739
Election rebates	15,169	115,868
Biennial convention	5,178,678	35
	<u>28,922,028</u>	<u>16,948,642</u>
Less:		
Biennial convention expenses	5,256,395	211,838
Fundraising expenses	5,187,200	4,696,928
Pre-election and election expenses	409,157	(43,642)
Constituency, provincial and territorial associations' share of contributions	<u>8,834,368</u>	<u>5,905,860</u>
	<u>19,687,120</u>	<u>10,770,984</u>
	<u>9,234,908</u>	<u>6,177,658</u>
Expense		
Administrative and programme	5,614,111	3,831,329
Operating and support payments to provincial and territorial associations	2,747,785	516,000
Interest, net	63,376	86,946
	<u>8,425,272</u>	<u>4,434,275</u>
Excess of revenue for the year	<u>809,636</u>	<u>1,743,383</u>

The Federal Liberal Agency of Canada

Statement of Changes in Net Liabilities

For the year ended December 31, 2003

	Unrestricted \$	Invested in capital assets \$	2003 \$	2002 \$
Balance – Beginning of year	(1,494,675)	133,983	(1,360,692)	(3,104,075)
Excess of revenue for the year	904,433	(94,797)	809,636	1,743,383
Investment in capital assets	(224,265)	224,265	–	–
Balance – End of year	(814,507)	263,451	(551,056)	(1,360,692)

The Federal Liberal Agency of Canada

Statement of Cash Flows

For the year ended December 31, 2003

	2003 \$	2002 \$
Cash flows from (used in)		
Operating activities		
Excess of revenue for the year	809,636	1,743,383
Items not affecting cash		
Depreciation	94,797	129,113
Amortization of deferred lease inducement	-	(7,192)
Net change in non-cash working capital items (note 5)	3,470,127	(1,795,273)
	<u>4,374,560</u>	<u>70,031</u>
Investing activity		
Purchase of capital assets	<u>(224,265)</u>	<u>(91,224)</u>
Financing activities		
Repayment of capital leases	-	(7,114)
Demand bank loan repayment	(1,520,000)	(1,075,000)
Demand bank loan advances	-	70,000
	<u>(1,520,000)</u>	<u>(1,012,114)</u>
Net change in cash for the year	2,630,295	(1,033,307)
Cash – Beginning of year	<u>354,663</u>	<u>1,387,970</u>
Cash – End of year	<u>2,984,958</u>	<u>354,663</u>

The Federal Liberal Agency of Canada

Notes to Financial Statements

December 31, 2003

1 Significant accounting policies

Basis of presentation

The Liberal Party of Canada is a federation composed of the following provincial and territorial associations:

- Liberal Party of Newfoundland and Labrador;
- Liberal Party of Prince Edward Island;
- Nova Scotia Liberal Party;
- New Brunswick Liberal Association;
- Liberal Party of Canada (Quebec);
- Liberal Party of Canada (Ontario);
- Liberal Party in Manitoba;
- Saskatchewan Liberal Association;
- Liberal Party of Canada in Alberta;
- Liberal Party of Canada in British Columbia;
- Yukon Liberal Association;
- Northwest Territories Liberal Association; and
- Nunavut Liberal Association

The provincial and territorial associations and their constituency associations (the "Associations") operate independently of the Agency although all contributions received by them are remitted to the Agency who issues receipts for donations. In accordance with agreements with each Association, a portion of the contributions are returned to them. Consequently, the financial statements disclose the gross amount of contributions received nationally with the amounts returned to the Associations shown as a deduction from gross revenue. The Agency also makes operating support payments, as required, to these Associations which are recorded as an expense of the Agency.

These financial statements reflect the activities of the Federal Liberal Agency of Canada (the "Agency"), a company incorporated under the Laws of Canada. The Agency is the Chief Agent for the Liberal Party of Canada (the "Party") and as such is responsible for issuing receipts for donations received at all levels of the Party and for fulfilling the legal responsibilities of the Party as required by the Canada Elections Act.

The Agency accounts for only those expenditures incurred by the National Office of the Party, including transfers to the associations of the Party.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

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Notes to Financial Statements

December 31, 2003

Revenue recognition

Contributions and participant fees for the biennial convention are generally recognized as revenue when received by the Agency or Associations.

Contributed materials and services, except volunteer labour, are recorded at fair value. Except where required by the Canada Elections Act, the value of volunteer labour is not recorded in the financial statements.

Capital assets

Capital assets are recorded at cost and are depreciated, over their estimated service lives, on a straight-line basis as follows:

Print shop equipment	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	5 years

2 Capital assets

			2003	2002
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Print shop equipment	237,145	142,051	95,094	15,192
Furniture and fixtures	560,601	471,778	88,823	29,084
Computer equipment	634,651	555,118	79,534	89,008
Leasehold improvements	315,467	315,467	—	699
	<u>1,747,864</u>	<u>1,484,414</u>	<u>263,451</u>	<u>133,983</u>

3 Lease commitments

The future minimum lease payments under operating leases for premises and office equipment are as follows:

Year ending December 31,	2004	\$ 87,100
	2005	86,100
	2006	86,100
	2007	21,500

4 Financial instruments

Financial instruments recognized in the balance sheet consist of cash, accounts receivable and accounts payable. It is management's opinion that the Agency is not exposed to significant credit risks arising from these financial instruments. Management also believes the carrying value of these instruments approximates their fair values due to their short term to maturity.

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Notes to Financial Statements

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5 Net change in non-cash working capital items

	2003 \$	2002 \$
Funds held in trust	(240,000)	—
Accounts receivable	(236,625)	32,833
Prepaid expenses	24,121	(23,051)
Accounts payable and accrued liabilities	3,922,631	(1,805,055)
	<u>3,470,127</u>	<u>(1,795,273)</u>