

The Liberal Party of Canada

Registered Party Financial Transactions
Return
December 31, 2014



June 25, 2015

Independent Auditor's Report

**To the Chief Agent for the
The Liberal Party of Canada**

Report on the financial statements

We have audited the accompanying Registered Party Financial Transactions Return ("the Return") of the Liberal Party of Canada, which comprises Part 4 – The Liberal Party of Canada Combined Financial Statements, December 31, 2014; Part 2a – Statement of Contributions Received; Part 2b – Statement of Directed Contributions Received for Transfer to a Leadership Contestant; Part 2c – Statement of Contributions Received - Details of Operating Loans; Part 2d – Statement of Contributions Received - Contributions Returned to Donors or Otherwise Dealt with in Accordance with the *Canada Elections Act*; Part 2e – Statement of Transfers Received; Part 2f – Summary of Contributions, Loans and Transfers; Part 3a – Statement of Election Expenses for a By-election; Part 3b – Statement of Transfers to a Candidate, an Electoral District Association, a Leadership Contestant or a Nomination Contestant; Part 3c – Statement of Unpaid Claims; all for the year ending December 31, 2014.

This Return has been prepared by the Chief Agent of the Liberal 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 the 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

Our responsibility is to express an opinion on the Return based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Return is free from material misstatement.

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 judgment, 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 Chief Agent, as well as evaluating the overall presentation of the Return.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of qualified opinion

Due to the inherent nature of the transactions of registered political parties, the completeness of contributions and other revenue and expenses is not susceptible of satisfactory audit verification. Accordingly, our verification of these amounts was limited to the amounts recorded in the registered party's accounting records and we were not able to determine whether any adjustments might be necessary to contributions and other revenue, expenses, assets, liabilities and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the Return of the Liberal Party of Canada for the year ending December 31, 2014 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

We 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 Liberal Party of Canada to meet the requirements of the *Canada Elections Act*. As a result, the Return may not be suitable for another purpose. Our report is intended solely for the Chief Agent of the Liberal 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 other legal and regulatory requirements

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Liberal Party of Canada

Note to Registered Party Financial Transactions Return

December 31, 2014

The Return has been prepared in accordance with the financial reporting provisions of Section 424 of the *Canada Elections Act* and in the prescribed form issued by Elections Canada.

The Return is prepared to assist the Chief Agent to meet the requirements of the *Canada Elections Act*.

The Return is intended solely for the use of the Chief Agent and the Chief Electoral Officer. Accordingly, readers are cautioned that the Return may not be suitable for another purpose. The *Canada Elections Act* requires that the Return be made available for public inspection.

The Liberal Party of Canada

**Combined Financial Statements
December 31, 2014**



June 25, 2015

Independent Auditor's Report

To the Directors of The Liberal Party of Canada

We have audited the accompanying combined financial statements of The Liberal Party of Canada ("the Party"), which comprise the combined statement of financial position as at December 31, 2014 and the combined statements of operations and changes in net assets and cash flows for the year then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, the Party derives revenue from 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 Party. Therefore, we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2014 and December 31, 2013, assets as at December 31, 2014 and December 31, 2013, and net assets as at the beginning and the end of the years ended December 31, 2014 and December 31, 2013. Our audit opinion on the combined financial statements for the year ended December 31, 2013 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the combined financial statements present fairly, in all material respects, the combined financial position of the Party as at December 31, 2014 and the results of its combined operations and its combined cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Liberal Party of Canada
Combined Statement of Financial Position
As at December 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	7,851,344	4,642,103
Investments (note 3)	4,620,898	4,500,000
Accounts receivable	909,955	1,691,584
Election rebates receivable	220,291	153,053
Prepaid expenses	340,303	252,902
	<u>13,942,791</u>	<u>11,239,642</u>
Property and equipment (note 4)	<u>596,201</u>	<u>813,675</u>
	<u>14,538,992</u>	<u>12,053,317</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	4,041,790	2,045,436
Deferred revenue	1,204,736	368,831
Deferred lease inducement	5,000	20,000
	<u>5,251,526</u>	<u>2,434,267</u>
Deferred revenue	203,740	187,273
Deferred lease inducement	-	5,000
	<u>203,740</u>	<u>192,273</u>
	5,455,266	2,626,540
Net Assets	<u>9,083,726</u>	<u>9,426,777</u>
	<u>14,538,992</u>	<u>12,053,317</u>
Contingency (note 6)		

Approved by the Board of Directors

_____ Director _____ Director

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

The Liberal Party of Canada

Combined Statement of Operations and Changes in Net Assets

For the year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
Contributions	15,479,599	11,582,085
Government allowance	1,774,211	3,193,575
Election and government rebates	312,069	84,145
Membership fees	1,501,834	525,388
Directed leadership contributions	402,677	2,750,025
Leadership related revenue	796,378	953,794
Conventions and annual general meetings	475,390	182,115
Other revenue	957,008	228,927
	<u>21,699,166</u>	<u>19,500,054</u>
Expenses		
Advertising – Other	417,423	103,771
Advertising – TV	1,026,484	1,536,586
Advertising – Radio	340,883	6,206
Bank charges and interest	344,896	307,783
Amortization of property and equipment	425,393	370,299
Fundraising activities	2,983,612	1,782,000
Office expenses	3,071,754	2,375,043
Polling	242,932	121,010
Professional services	1,814,111	1,253,436
Salaries and benefits	7,553,214	5,418,496
Travel and hospitality	1,623,375	1,117,326
Transfers	808,210	3,060,060
Convention	1,389,930	584,383
	<u>22,042,217</u>	<u>18,036,399</u>
Net revenue (expense) for the year	(343,051)	1,463,655
Net assets – Beginning of year	<u>9,426,777</u>	<u>7,963,122</u>
Net assets – End of year	<u>9,083,726</u>	<u>9,426,777</u>

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

The Liberal Party of Canada
Combined Statement of Cash Flows
For the year ended December 31, 2014

	2014 \$	2013 \$
Cash flows provided by (used in)		
Operating activities		
Net revenue (expense) for the year	(343,051)	1,463,655
Item not affecting cash – Amortization of property and equipment	425,393	370,299
Net change in non-cash working capital items	<u>3,455,716</u>	<u>(273,782)</u>
	<u>3,538,058</u>	<u>1,560,172</u>
Investing activities		
Purchase of investment	(120,898)	(4,500,000)
Purchase of property and equipment	<u>(207,919)</u>	<u>(308,382)</u>
	<u>(328,817)</u>	<u>(4,808,382)</u>
Net change in cash and cash equivalents for the year	3,209,241	(3,248,210)
Cash and cash equivalents – Beginning of year	<u>4,642,103</u>	<u>7,890,313</u>
Cash and cash equivalents – End of year	<u>7,851,344</u>	<u>4,642,103</u>

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

The Liberal Party of Canada

Notes to Combined Financial Statements

December 31, 2014

1 Significant accounting policies

Basis of presentation

The Liberal Party of Canada (“the Party”) is a federation composed of the Federal Liberal Agency of Canada (“the Agency”) which includes the activities of the National Office and provincial and territorial associations.

These financial statements combine the financial position and results of the federal operations of:

- The Federal Liberal Agency of Canada,
- Liberal Party of Canada (Newfoundland and Labrador),
- 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, and
- All related clubs and commissions.

Use of estimates

The preparation of financial statements in conformity 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 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.

Cash and cash equivalents

Cash and cash equivalents consist of liquid investments with terms to maturity at the date of acquisition of 90 days or less and are recorded at cost.

Investments

Investments are recorded at amortized cost. Interest income is recorded as interest and other income in the combined statement of operations.

Revenue recognition

The Party follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

The Liberal Party of Canada
Notes to Combined Financial Statements
December 31, 2014

The government allowance is calculated based on the number of votes the Party received in the general election at an approved rate per valid vote. The allocation is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

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

Participant fees for conventions are recognized in the year to which they relate.

Participant fees for annual general meetings are recognized as revenue when received by the Party.

Membership revenue is recorded in the year to which the membership relates. Members' fees recovered in advance are deferred and recorded as revenue in the year to which they relate.

Election rebates are recognized in the year of the election expenditure, when the amount is determinable and collection is reasonably assured. The Party's claim for elections rebates is based upon management's interpretation of the applicable regulations in the *Elections Canada Act*. These amounts are subject to review and acceptance by Elections Canada prior to collection.

Property and equipment

Property and equipment are initially recorded at cost and are amortized over their estimated service lives on a straight-line basis as follows.

Building	20 years
Print shop equipment	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	Remainder of lease

2 Lines of credit

The Party has lines of credit available for \$3,500,000 at annual rates of interest at the banks' prime. As of December 31, 2014, the Party had \$nil (2013 – \$nil) drawings on these facilities.

The lines of credit are collateralized with a general security agreement against asset (with a carrying value of \$9,083,726 (2013 – \$9,426,777) of the Party.

3 Investments

Investments consist of guaranteed investment certificates that bear interest at fixed rates ranging from 1.25% and 1.70%, maturing between 2015 and 2016.

The Liberal Party of Canada
Notes to Combined Financial Statements
December 31, 2014

4 Property and equipment

			2014	2013
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Building	197,653	87,225	110,428	117,962
Print shop equipment	339,665	326,768	12,897	16,786
Furniture and fixtures	637,938	442,792	195,146	195,667
Computer equipment	829,621	629,886	199,735	170,756
Leasehold improvements	898,915	820,920	77,995	312,504
	2,903,792	2,307,591	596,201	813,675

Cost and accumulated amortization amounted to \$2,903,792 and 2,307,591 respectively, at December 31, 2013.

5 Leases commitments

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

	\$
Year ending December 31, 2015	818,888
2016	690,475
2017	659,957
2018	574,795
2019	574,795
Thereafter	1,580,687

6 Contingency

Representatives of the Party have been named in a lawsuit, although not the Party itself. The Party is funding the defence. Management is of the belief that an estimate of potential liability, if any, cannot be reasonably determined at this time.

7 Government remittances

Government remittances included in accounts payable and accrued liabilities are \$nil (2013 – \$nil).