

**The Federal Liberal Agency
of Canada**

Financial Statements
December 31, 2018



Independent auditor's report

To the Directors of The Federal Liberal Agency of Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Federal Liberal Agency of Canada (the Agency) as at December 31, 2018 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.

What we have audited

The Agency's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Independence

We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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

In preparing the financial statements, management is responsible for assessing the Agency'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 Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency'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 Agency'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 Agency'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 Agency 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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 27, 2019

The Federal Liberal Agency of Canada

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash and cash equivalents (note 2)	2,269,138	1,558,780
Accounts receivable (note 6)	1,121,201	1,870,574
Prepaid expenses	389,907	290,761
	<u>3,780,246</u>	<u>3,720,115</u>
Property and equipment (note 3)	933,596	1,101,088
	<u>4,713,842</u>	<u>4,821,203</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	1,949,519	1,919,481
Deferred lease inducement	141,856	141,856
	<u>2,091,375</u>	<u>2,061,337</u>
Deferred lease inducement	957,216	1,099,032
	<u>3,048,591</u>	<u>3,160,369</u>
Net assets	<u>1,665,251</u>	<u>1,660,834</u>
	<u>4,713,842</u>	<u>4,821,203</u>
Commitments and related party transactions (note 4)		

Approved by the Board of Directors

Director

Director

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

The Federal Liberal Agency of Canada
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2018

	2018	2017
	\$	\$
Revenue		
Contributions	16,605,186	14,176,786
Election and government rebates	29,671	391,381
Other	176,646	205,003
	<u>16,811,503</u>	<u>14,773,170</u>
Expense		
Advertising – Radio	20,920	4,453
Advertising – TV	-	67,670
Advertising – Other	766,152	593,853
Amortization of property and equipment	231,364	271,545
Bank charges and interest	327,094	315,192
Fundraising activities	3,365,547	2,772,812
Office	2,394,071	2,325,842
Polling and research	170,369	142,418
Professional services (note 4)	1,822,496	2,305,520
Salaries and benefits	5,461,997	5,653,266
Travel and hospitality	366,478	300,646
Transfers	580,628	467,477
Other	1,299,970	(21,207)
	<u>16,807,086</u>	<u>15,199,487</u>
Net revenue (expense) for the year	4,417	(426,317)
Net assets – Beginning of year	<u>1,660,834</u>	<u>2,087,151</u>
Net assets – End of year	<u>1,665,251</u>	<u>1,660,834</u>

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

The Federal Liberal Agency of Canada

Statement of Cash Flows

For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year	4,417	(426,317)
Items not affecting cash	-	
Amortization of property and equipment	231,364	271,545
Amortization of lease inducement	(141,816)	(141,816)
Net change in non-cash working capital items	680,265	(1,700,276)
	<u>774,230</u>	<u>(1,996,864)</u>
Investing activities		
Purchase of property and equipment	<u>(63,872)</u>	<u>(402)</u>
Change in cash and cash equivalents for the year	710,358	(1,997,266)
Cash and cash equivalents – Beginning of year	<u>1,558,780</u>	<u>3,556,046</u>
Cash and cash equivalents – End of year	<u>2,269,138</u>	<u>1,558,780</u>

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

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2018

1 Summary of significant accounting policies

Basis of presentation

The Liberal Party of Canada (the Party) is a Registered Party as defined in Section 2(1) of the *Canada Elections Act*. The Federal Liberal Agency of Canada (the Agency) is the Party's chief agent for all contractual and business matters.

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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand net of bank overdraft. The bank overdraft is repayable on demand.

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.

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.

Participant fees for conventions and annual general meetings are recognized in the year the convention is held.

Election rebates are recognized in the year of the election expenditure, when the amount can be reasonably estimated and collection is reasonably assured. The Agency has recognized revenue for election rebates based on management's interpretation of the applicable legislation in the *Canada Elections Act*. These amounts are subject to review and acceptance by Elections Canada prior to collection.

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2018

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 and software	3 years
Leasehold improvements	remainder of lease

Lease inducement

Inducements received to enter into office leases for office space are deferred and amortized on a straight-line basis over the term of the lease as a reduction of office expenses.

2 Lines of credit

The Party has lines of credit available up to \$6,000,000 at annual rates of interest at the banks' prime rate of 3.95% as at December 31, 2018 (2017 – 3.20%), due on demand. As at December 31, 2018, the Party had \$nil (2017 – \$450,000) drawings on these facilities.

The lines of credit are collateralized by a general security agreement.

3 Property and equipment

	2018		2017	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building	198,240	107,899	90,341	95,123
Print shop equipment	339,665	339,665	-	324
Furniture and fixtures	1,025,963	891,778	134,185	218,790
Computer equipment and software	926,673	920,687	5,986	32,794
Leasehold improvements	1,038,416	335,332	703,084	754,057
	<u>3,528,957</u>	<u>2,595,361</u>	<u>933,596</u>	<u>1,101,088</u>

Cost and accumulated amortization amounted to \$3,465,085 and \$2,363,997, respectively, as at December 31, 2017.

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2018

4 Commitments and related party transactions

The future minimum payments for lease agreements and other significant commitments are as follows.

	\$
Year ending December 31, 2019	2,260,889
2020	2,125,808
2021 – 2023	1,974,994
Thereafter	1,722,921

The Party purchased services from a private company related to an executive on the national board of directors of the Liberal Party of Canada. The purchased services are included within professional services in the statement of operations and changes in net assets and are included within the commitment schedule above.

These related party transactions have been recorded at the exchange amount, which is the amount agreed on by the related parties involved.

5 Government remittances

Government remittances included in accounts payable and accrued liabilities are \$1,340 (2017 – \$1,340).

6 Accounts receivable

33% (2017 – 37%) of accounts receivable are due from Elections Canada.

40% (2017 – 25%) of accounts receivable are due from a former provincial/territorial association.



Independent auditor's report

To the Chief Agent of The Liberal Party of Canada

Report on the audit of the financial information

Our opinion

In our opinion, the accompanying financial information of The Liberal Party of Canada (the Party) for the year ended December 31, 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of Section 432 of the *Canada Elections Act* and in the prescribed form issued by Elections Canada (the reporting requirements).

What we have audited

The Party's financial information comprises the Registered Party Financial Transactions Annual Return (the Return), which comprises:

- Part 4 – Federal Liberal Agency of Canada (Agency) Financial Statements. The Agency's financial statements comprise:
 - the statement of financial position as at December 31, 2018;
 - the statement of operations and changes in net assets for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
- Parts 2a through f
- Parts 3a through f

Basis for opinion

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 information* section of our report.

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

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Independence

We are independent of the Party in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of accounting and restriction on distribution and use

We draw attention to the fact that the financial information has been prepared in accordance with the reporting requirements referred to above. The financial information is prepared to assist the Chief Agent of the Party to meet the requirements of the *Canada Elections Act*. As a result, the financial information 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 distributed to or used by parties other than the Chief Agent and the Chief Electoral Officer. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Agent and those charged with governance for the financial information

The Chief Agent is responsible for the preparation of the financial information in accordance with the reporting requirements referred to above, and for such internal control as the Chief Agent determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is 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 the financial information.

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 information, 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 Party's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Agent.

We communicate with 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.

Report on other legal and regulatory requirements

As required by Subsection 435(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

Ottawa, Ontario
June 27, 2019