



Independent auditor's report

To the Chief Agent of the Liberal Party of Canada

Report on the audit of the Return

Our opinion

In our opinion, the accompanying Registered Party's Annual Financial Transactions Return (the Return) of the Liberal Party of Canada (the Party) for the year ended December 31, 2022 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.

What we have audited

The Party's Return comprises the Registered Party's Annual Financial Transactions Return for the year ended December 31, 2022 and the notes to the Return, which include significant accounting policies and other explanatory information.

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

Emphasis of matter – basis of accounting and restriction on use

We draw attention to note 1 to the Return, which describes the basis of accounting. The Return is prepared by the Chief Agent of the Party (the Chief Agent) to comply with the financial reporting provisions of Section 432 of the *Canada Elections Act*. As a result, the Return may not be suitable for another purpose. Our report is intended solely for the Party and the Chief Electoral Officer. We neither assume nor accept any responsibility or liability to any other third party in respect of this report. Our opinion is not modified in respect of this matter.

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



Responsibilities of the Chief Agent and those charged with governance of the Return

The Chief Agent is responsible for the preparation of the Return in accordance with the financial reporting provisions of Section 432 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.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Return 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 this Return.

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 Return, 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, if any, 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*, we report that, in our opinion, the Return presents fairly the information contained in the financial records on which the Return is based.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 22, 2023

The Federal Liberal Agency of Canada

Note to the Annual Financial Transactions Return

December 31, 2022

Note 1

The Registered Party's Annual Financial Transactions Return (the Return) has been prepared 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 Return is prepared by the Chief Agent of the Liberal Party of Canada (the Chief Agent) to comply with the financial reporting provisions of Section 432 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 Federal Liberal Agency of Canada

Financial Statements
December 31, 2022



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, 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.

What we have audited

The Agency's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of operations for the year then ended;
- the statement of 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 significant accounting policies and other explanatory information.

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.

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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 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 22, 2023

The Federal Liberal Agency of Canada

Statement of Financial Position

As at December 31, 2022

	2022 \$	2021 \$
Assets		
Current assets		
Cash and cash equivalents	3,283,209	9,500,427
Investments	2,275,726	-
Accounts receivable	1,004,076	21,487,389
Prepaid expenses	505,541	322,096
	<u>7,068,552</u>	<u>31,309,912</u>
Property and equipment (note 3)	770,180	976,895
	<u>7,838,732</u>	<u>32,286,807</u>
Liabilities and Net Assets		
Current liabilities		
Bank loans (note 4)	-	26,700,000
Accounts payable and accrued liabilities (note 6)	2,506,598	1,610,202
Deferred lease inducement	149,529	149,529
	<u>2,656,127</u>	<u>28,459,731</u>
Deferred lease inducement	410,726	552,540
	<u>3,066,853</u>	<u>29,012,271</u>
Net assets		
Unrestricted	2,500,677	773,002
Internally restricted (note 7)	2,271,202	2,501,534
	<u>4,771,879</u>	<u>3,274,536</u>
	<u>7,838,732</u>	<u>32,286,807</u>
Commitments (note 5)		

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

For the year ended December 31, 2022

	2022 \$	2021 \$
Revenue		
Contributions	14,975,795	18,090,226
Election rebates	342,825	20,122,667
	<u>15,318,620</u>	<u>38,212,893</u>
Expenses		
Advertising – Radio	-	1,045,630
Advertising – TV	-	6,510,045
Advertising – Other (note 6)	342,954	7,932,939
Amortization of property and equipment	216,982	181,224
Bank charges and interest	724,424	683,085
Fundraising activities	2,578,480	3,137,309
Office (note 6)	2,537,741	4,750,173
Polling and research (note 6)	123,629	996,052
Professional services (note 6)	1,885,978	3,106,251
Salaries and benefits	5,049,850	7,420,566
Travel and hospitality	236,876	3,386,229
Other expense, net (note 8)	124,363	231,763
	<u>13,821,277</u>	<u>39,381,266</u>
Net revenue (expenses) for the year	<u>1,497,343</u>	<u>(1,168,373)</u>

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

The Federal Liberal Agency of Canada

Statement of Changes in Net Assets

For the year ended December 31, 2022

			2022	2021
	Unrestricted	Internally	Total	Total
	\$	restricted	\$	\$
		(note 7)		
		\$		
Net assets – Beginning of year	773,002	2,501,534	3,274,536	4,442,909
Net revenue (expenses) for the year	1,497,343	-	1,497,343	(1,168,373)
Transfers to (from)	230,332	(230,332)	-	-
Net assets – End of year	2,500,677	2,271,202	4,771,879	3,274,536

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, 2022

	2022 \$	2021 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expenses) for the year	1,497,343	(1,168,373)
Items not affecting cash		
Amortization of property and equipment	216,982	181,224
Amortization of lease inducement	(141,815)	(121,431)
Changes in non-cash working capital items		
Accounts receivable	20,483,313	(19,927,347)
Prepaid expenses	(183,445)	(13,784)
Accounts payable and accrued liabilities	896,396	(1,111,931)
	<u>22,768,774</u>	<u>(22,161,642)</u>
Investing activities		
Purchase of property and equipment	(10,266)	(409,847)
Purchase of investments	(2,527,328)	-
Net unrealized loss on investments	193,736	-
Net realized loss on investments	57,866	-
	<u>(2,285,992)</u>	<u>(409,847)</u>
Financing activities		
Increase in bank loans	-	30,000,000
Repayment of bank loans	(26,700,000)	(3,300,000)
	<u>(26,700,000)</u>	<u>26,700,000</u>
Change in cash and cash equivalents during the year	(6,217,218)	4,128,511
Cash and cash equivalents – Beginning of year	9,500,427	5,371,916
Cash and cash equivalents – End of year	<u>3,283,209</u>	<u>9,500,427</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, 2022

1 Nature of operations

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.

2 Summary of significant accounting policies

Basis of presentation

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

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 expenses during the reporting periods. Significant items subject to such estimates and assumptions include election rebates. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments are measured at fair value based on quoted market prices. Changes in fair value are recorded in other income.

Revenue recognition

The Agency 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.

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2022

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.

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 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.

3 Property and equipment

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building	210,077	(125,814)	84,263	77,728
Print shop equipment	28,661	(20,821)	7,840	13,068
Furniture and fixtures	846,939	(731,994)	114,945	145,804
Computer equipment and software	612,705	(602,461)	10,244	30,682
Leasehold improvements	1,394,288	(841,400)	552,888	709,613
	<u>3,092,670</u>	<u>(2,322,490)</u>	<u>770,180</u>	<u>976,895</u>

As at December 31, 2021, cost and accumulated amortization amounted to \$3,332,462 and \$2,355,567, respectively. During the year, tangible capital assets were disposed with a cost of \$250,058 and accumulated amortization of \$250,058.

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2022

4 Bank loans and lines of credit

As at December 31, 2022, demand bank loans amounted to nil (2021 – \$26,700,000) and were held by various Canadian chartered banks at the banks' prime rate of 6.45% (2021 – 2.45%). The loans are secured by both a general security agreement and Elections Canada rebates.

The Agency has lines of credit available up to \$6,000,000 at annual rates of interest at the banks' prime rate of 6.45% as at December 31, 2022 (2021 – 2.45%), due on demand. As at December 31, 2022, the Agency had nil drawings (2021 – nil) on these facilities. The lines of credit are collateralized by a general security agreement.

5 Commitments

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

	\$
Years ending December 31, 2023	2,356,047
2024	2,231,747
2025	2,059,559
2026	1,772,722
2027	7,888

The Agency has committed \$1,023,950 in the event of an election. As at December 31, 2022, the Agency also has nil (2021 – \$383,226) for provincial activity.

6 Related party transactions

The Agency purchased services for a total of \$1,677,347 (2021 – \$9,734,961) from a private company related to a member of the National Board of Directors of the Party. An amount of \$190,430 (2021 – \$239,396) is included in accounts payable and accrued liabilities.

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

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2022

7 Internally restricted net assets

As at December 31, 2022, the Board of Directors has internally restricted net assets for the following purposes.

	2022 \$	2021 \$
Working Capital Restricted Fund	908,481	1,000,614
Future Campaigns Restricted Fund	1,362,721	1,500,920
	<u>2,271,202</u>	<u>2,501,534</u>

8 Other expense, net

Other expense, net for the year consists of the following:

	2022 \$	2021 \$
Net unrealized loss on investments	193,736	-
Net realized loss on investments	57,866	-
Interest income	(86,573)	(25,365)
Transfers in	(121,136)	(367,476)
Transfers out	129,240	878,152
Other	(48,770)	(253,548)
	<u>124,363</u>	<u>231,763</u>

9 Financial instruments

The Agency initially measures its financial assets and financial liabilities at fair value. Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial assets subsequently recorded at fair value include investments. Financial liabilities measured at amortized cost include bank loans and accounts payable and accrued liabilities.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Agency is exposed to liquidity risk mainly with respect to its bank loans and accounts payable and accrued liabilities. Cash flows from operations provide a substantial portion of the Agency's cash requirements. The Agency also has lines of credit as described in note 4. As at December 31, 2022, the full amount of the line of credit is available.

The Federal Liberal Agency of Canada

Notes to the Financial Statements

December 31, 2022

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Agency to credit risk consist principally of cash and cash equivalents and accounts receivable. The Agency's cash and cash equivalents are maintained at major financial institutions; therefore, the Agency considers the risk of non-performance of these instruments to be remote. Trade receivables are generally due within 30 to 90 days. No trade receivables mature beyond one year.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Agency is exposed to interest rate risk on its bank loans and lines of credit (note 4).

10 Comparative figures

Certain comparative figures have been reclassified in order to conform with the presentation adopted for the current year.