

# **The Liberal Party of Canada**

Combined Financial Statements  
**December 31, 2010**

June 23, 2011

## **Independent Auditor's Report**

### **To the Board of Directors of The Liberal Party of Canada**

We have audited the accompanying combined financial statements of **The Liberal Party of Canada**, which are comprised of the combined statement of financial position as at December 31, 2010 and the combined statements of operations, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with Canadian generally accepted accounting principles, 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**

Our responsibility is to express an opinion on these 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 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 combined financial statements.

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 and we were not able to determine whether any adjustments might be necessary to contributions, excess of expenses over revenue for the year, assets 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 combined financial statements present fairly, in all material respects, the combined financial position of the Party as at December 31, 2010 and the results of its combined operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

**The Liberal Party of Canada**  
 Combined Statement of Financial Position  
 As at December 31, 2010

	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,479,102	3,155,074
Accounts receivable	2,308,079	2,631,508
Election rebates receivable	125,539	601,669
Prepaid expenses	289,779	361,977
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	6,202,499	6,750,228
<b>Property and equipment</b> (note 4)	885,466	423,674
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	7,087,965	7,173,902
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<b>Liabilities</b>		
<b>Current liabilities</b>		
Demand bank loans (note 5)	–	1,156,223
Accounts payable and accrued liabilities	2,095,844	2,654,736
Deferred membership revenue	259,728	309,160
Deferred lease inducement	20,000	–
	<hr/>	<hr/>
	2,375,572	4,120,119
<b>Long term liabilities</b>		
Deferred membership revenue	60,195	45,675
Deferred lease inducement	65,000	–
	<hr/>	<hr/>
	125,195	45,675
	<hr/>	<hr/>
	2,500,767	4,165,794
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<b>Net assets</b>		
Unrestricted	3,701,732	2,584,434
Invested in property and equipment	885,466	423,674
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	4,587,198	3,008,108
	<hr/>	<hr/>
	7,087,965	7,173,902
	<hr/>	<hr/>
<b>Contingency</b> (note 8)		
<b>Subsequent events</b> (note 9)		

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

**Signed on Behalf of the Agency**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# The Liberal Party of Canada

## Combined Statement of Operations

For the year ended December 31, 2010

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	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Revenue</b>		
Contributions	7,363,082	9,087,756
Directed leadership contributions	260,484	1,119,948
Government allowance	7,233,893	7,215,857
Conventions and annual general meetings	240,181	1,194,372
Election and government rebates	125,354	206,675
Membership fees	357,866	711,248
Payments from Constituency associations	44,104	403,836
Other	134,722	50,715
	<hr/>	<hr/>
	15,759,686	19,990,407
<b>Expenses</b>		
Advertising – TV	(332,640)	1,052,174
Advertising – Other	231,713	42,137
Bank charges and interest	114,800	327,670
Amortization	159,590	140,025
Fundraising activities	2,737,372	2,478,791
Office expenses	2,526,153	2,498,607
Polling	161,569	394,996
Professional services	1,650,582	1,847,058
Salaries and benefits	4,243,391	4,451,855
Travel and hospitality	1,571,375	1,579,432
Transfers	1,071,686	1,930,307
Other	45,005	1,173,812
	<hr/>	<hr/>
	14,180,596	17,916,864
<b>Excess of revenue over expenses for the year</b>	<hr/>	<hr/>
	1,579,090	2,073,543

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

# The Liberal Party of Canada

## Combined Statement of Changes in Net Assets

For the year ended December 31, 2010

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	Unrestricted \$	Invested in property and equipment \$	2010 \$	2009 \$
<b>Balance – Beginning of year</b>	2,584,434	423,674	3,008,108	934,565
Excess of revenue over expenses for the year	1,738,680	(159,590)	1,579,090	2,073,543
Investment in property and equipment	(621,382)	621,382	–	–
<b>Balance – End of year</b>	<u>3,701,732</u>	<u>885,466</u>	<u>4,587,198</u>	<u>3,008,108</u>

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

# The Liberal Party of Canada

## Combined Statement of Cash Flows

For the year ended December 31, 2010

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<b>Cash flows from (used in)</b>	<b>2010</b> \$	<b>2009</b> \$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	1,579,090	2,073,543
Item not affecting cash – Amortization of property and equipment	159,590	140,025
Net change in non-cash working capital items (note 7)	362,953	9,833,109
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	2,101,633	12,046,677
<b>Investing activity</b>		
Purchase of property and equipment	(621,382)	(59,487)
Proceeds from short-term investments	–	445,747
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	(621,382)	386,260
<b>Financing activities</b>		
Demand bank loan advances	–	3,318,882
Demand bank loan repayments	(1,156,223)	(13,399,049)
	<hr/>	<hr/>
	(1,156,223)	(10,080,167)
<b>Net change in cash and cash equivalents for the year</b>	324,028	2,352,770
<b>Cash and cash equivalents – Beginning of year</b>	3,155,074	802,304
<b>Cash and cash equivalents – End of year</b>	<hr/>	<hr/>
	3,479,102	3,155,074
<b>Supplemental information</b>		
Interest paid	107,189	231,353

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

# The Liberal Party of Canada

Note to Financial Statements

December 31, 2010

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## 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 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.

### 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.

### Revenue recognition

The Party follows the deferral method of accounting for revenue. 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 or receivable if the amount to be received can be reasonably estimated and collection is assured.

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.

# The Liberal Party of Canada

Note to Financial Statements

December 31, 2010

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Contributions and participant fees for conventions and annual general meetings are recognized as revenue when received by the Party.

Membership revenues are recognized in the year to which the membership relates. Members' fees received in advance are deferred and recorded in the period to which they relate.

Operating payments from Constituencies are recognized when received or receivable if the collection of the amount can be reasonably assured.

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.

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.

## Property and equipment

Property and equipment are 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	5 years

## 2 Financial instruments

Financial instruments recognized in the balance sheet consist of cash and cash equivalents (on deposit with Canadian commercial banks), accounts receivable, election rebates receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Credit risk is the risk of financial loss to the Party if a customer or counterparty to a financial instrument fails to meet its obligations.

# The Liberal Party of Canada

Note to Financial Statements

December 31, 2010

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## 3 Capital management

The Party defines its capital as its net assets.

The Party's objectives, when managing capital, are to safeguard the Party's ability to continue operations so that it can continue to provide long-term benefits to its stakeholders.

The Party's governing bodies are responsible for overseeing the effective management of capital.

## 4 Property and equipment

			2010	2009
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Building	192,357	61,779	130,578	133,753
Print shop equipment	317,694	301,533	16,161	29,805
Furniture and fixtures	914,160	776,177	137,983	104,174
Computer equipment	1,130,646	1,013,412	117,234	151,155
Leasehold improvements	511,812	28,302	483,510	4,787
	3,066,669	2,181,203	885,466	423,674

As of December 31, 2009, cost and accumulated amortization amounted to \$2,528,095 and \$2,104,421, respectively.

## 5 Demand bank loans

Demand bank loans in the amount of \$ nil (2009 – \$989,555) were held by various Canadian chartered banks at annual rates of interest from the banks' prime rate to prime plus 1%. The 2009 loans were repaid at various times from January 2010 to October 2010.

The Party has lines of credit available for \$4,500,000 at annual rates of interest at the banks' prime. As of December 31, 2010, the Party had drawings of \$ nil (2009 – \$ nil) on these facilities.

The Party also had a demand loan in the amount of \$ nil (2009 – \$166,668), bearing interest at prime plus 3%, repayable in monthly instalments of principal of \$55,556.

The loans are collateralized with a general security agreement against assets of The Federal Liberal Agency of Canada and specific provincial associations.

# The Liberal Party of Canada

Note to Financial Statements

December 31, 2010

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## 6 Leases obligations and commitments

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

	\$
Year ending December 31, 2011	807,118
2012	791,903
2013	719,175
2014	705,332
2015	233,268

## 7 Net change in non-cash working capital items

	2010 \$	2009 \$
Accounts receivable	323,429	1,442,590
Election rebates receivable	476,130	8,808,756
Prepaid expenses	72,198	(327,213)
Accounts payable and accrued liabilities	(558,892)	(378,747)
Deferred membership revenue	(34,912)	287,723
Deferred lease inducement	85,000	–
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	362,953	9,833,109

## 8 Contingency

Liberal Party of Canada (“LPC”) representatives have been named in a lawsuit, although not LPC itself. LPC is funding a portion of the defence and management is of the belief that the disposition of this matter will not have a material adverse affect on the financial position of the Agency or its results of operations. These financial statements reflect management’s current estimate of the disposition of the case.

## 9 Subsequent events

- a) The Party receives a grant from Election Canada of \$2.04 per vote per annum.

The government stated in the June 6, 2011 budget that the grant will be phased out beginning April 1, 2012 at a rate of \$.51 per vote over three years.

- b) During the general election which occurred on May 2, 2011, the Party borrowed \$15,000,000 from chartered banks. The loan will be repaid by rebates from Elections Canada and other sources in the normal course of operations.

# **The Liberal Party of Canada**

Note to Financial Statements

**December 31, 2010**

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## **10 Comparative figures**

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.