



Canadian Defence & Foreign Affairs Institute

www.cdfai.org

Annual Report 2007





Canadian Defence
& Foreign Affairs
Institute

Mission

To be a catalyst for innovative Canadian global engagement.

Vision

Canada has a respected, influential voice in the international arena based on a comprehensive foreign policy which expresses our national interests, political and social values, military capabilities, economic strength and willingness to be engaged with action that is timely and credible.

www.cdfai.org

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Chairman's Message



Welcome to the Canadian Defence & Foreign Affairs Institute's 2007 Annual Report. This is our seventh year of contributing to the national debate on strengthening Canada's role as a credible international player with improved diplomatic, military and development assets. As you review our activities over the past year, you will find that we have accomplished a great deal through the efforts of many talented individuals and with the support of previous and new donors/sponsors. I am enthusiastic about the good work being undertaken by CDFAI and I can see change beginning to occur in Canada's external relations. Enjoy this report!

A stylized, handwritten signature in black ink, appearing to be 'R. Gibson'.

Robert Gibson

President's Message



Welcome to CDFAI's year-in-review report. Each year we publish this retrospective so that you can see how we are investing the resources provided to us in order to better focus the national debate for a more globally engaged Canada and to enhance Canadian security and prosperity. There has been a renewal in the CDFAI office with the departure of one key staffer, Jo-Anne Ring. Her position was re-evaluated and two new full-time staff have now joined CDFAI. New Fellows, Advisors and Board members also joined our team in 2007 and each and every one of them has added value to our team. Thank you to all of our contributors; thank you to all of our donors and sponsors; and thank you to each of you who read our materials and challenge the Federal Government to do more to participate internationally at a level more appropriate for the potential of this great nation.



Robert S. Millar

Director of Programs' Message

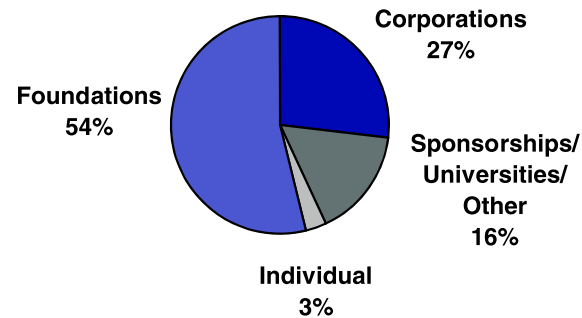


2007 was a very productive year for CDFAI research and outreach activities. We published a special report by Gordon Smith, former Deputy Minister of Foreign Affairs, entitled *Canada in Afghanistan: Is It Working?* which garnered wide public interest and is still heavily consulted through our website. Dr. Smith's paper contained a number of recommendations that later appeared in one form or another in the Manley Report on Afghanistan, which was issued this past January and has become part of the government's policy on Afghanistan. We also published a report on Canada's future strategic environment which is being widely consulted and referred to within the Department of National Defence and the Canadian Forces. Our paper called *Canada as an Emerging Energy Superpower* was widely read in government and industry circles and was also covered in the press. We broke new ground with our reports on Canadian space policy and the need for a foreign intelligence gathering capability. The paper on the Israeli-Lebanon war of 2006 was timely and contained cogent warnings for the future course of that conflict. In 2007 CDFAI mounted its first Quebec-based military journalism student course to match the one that has been taught in Calgary since 2003. We helped the Conference of Defence Associations Institute with its annual student conference in Kingston and hosted a number of speakers in Calgary and elsewhere. CDFAI-generated research is making a difference. We anticipate an even better year in 2008.

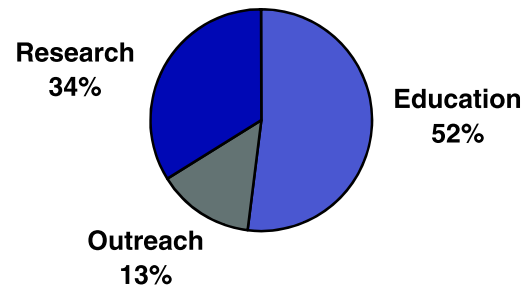
A handwritten signature in black ink, appearing to read 'David Bercuson', written in a cursive style.

David J. Bercuson

2007 Revenue and Programs Charts



CDFAI is a charitable organization that had more than \$800,000.00 in revenue in 2007. Funds were generated through generous donations from individuals, corporations, foundations, sponsorships and university grants.



Research encompassed the Fellows program, Quarterly Research papers, the Editorial Board, the Space paper, the Development Assistance paper, the Future Strategic Environment paper, the Foreign Intelligence Service paper and the Nexen Series papers.

Education was made up of the Annual Ottawa Conference, the Military Journalism Courses, the Speaker Series, the Student Symposium, and the two co-partnered conferences.

Outreach involved the Quarterly Newsletter, the Website, the Ross Munro Media Award, the Advisory Council and the Issue Response series.



Enbridge photo

"Enbridge is proud to be a supporter of CDFAI and a major sponsor of its 2007 Conference: *Canada as the "Emerging Energy Superpower."* Through its work, CDFAI provides a premier forum for informed discussion about Canada's international engagement. By developing authoritative research, educating and reaching out to Canadians, CDFAI continues to influence positive change in our country's foreign policy and enhances Canada's role as a valued, respected and sought after partner around the world."

D'Arcy Levesque
Enbridge

Annual Ottawa Conference

In October CDFAI hosted its 2007 Annual Ottawa Conference, *Canada as the “Emerging Energy Superpower”: Testing the Case*. At the summer 2006 G8 Summit, Prime Minister Stephen Harper declared that Canada is becoming an “energy superpower.” This year’s conference on Canadian Foreign Policy examined that proposition and the implications and ramifications of that development. A conference paper was written to challenge attendees on these important issues.

CDFAI was pleased to work with recurring partners as well as some new partners. They included the Canadian Centre for Energy Information, Centre d’études des politiques étrangères et de Sécurité (Université du Québec à Montréal), the Centre for Security and Defence Studies (Carleton University), Université Laval, Queen’s University, and the Woodrow Wilson International Centre for Scholars Canada Institute.

CDFAI was very appreciative of the corporate sponsors who helped make the conference a success:

Premiere



Distinguished



Eminent



Conference Attendees and Panels

The conference was attended by senior Ottawa civil servants, academics, university students, industry representatives and members of the national media.



Natural Resources Canada photo

**Special Keynote Address by
The Honourable Gary Lunn, Minister of Natural Resources**

Conference panel topics and speakers consisted of:

Panel 1: Life as an Energy Superpower

Chair – David Pratt, with Annette Hester, Mike Cleland, Albert Legault

Panel 2: Implications for US-Canada Relations

Chairs – David Biette and Mark Entwistle, with Debra Yedlin, Dave Pumphrey, Matthew T. McManus

Panel 3: Critical Energy Infrastructure Protection

Chair – Bob Booth, with Dave Redman, Felix Kwamena, James Young

Panel 4: Energy, Environment and the Arctic

Chairs – Stéphane Roussel and Charles Pentland, with Rob Huebert, Samantha Arnold, Frédéric Lasserre

Master of Ceremonies

Colin Robertson

Conference Poll

Public Reaction to Canada as an Energy Superpower

by Innovative Research Group

- 57% of Canadians feel that Canada being an energy superpower is a good idea.
- 41% of Canadians would be more proud to be a Canadian if the rest of the world saw Canada as an energy superpower.
- 71% of Canadians believe that “there are always going to be countries that are more powerful than others and that it is better to be one of them.”
- 44% of Canadians believe that “superpowers contribute to an unbalanced and dangerous world.”
- 90% of Canadians support the idea of Canada as a World leader in energy conservation and technology.
- 57% of Canadians are supportive of the Kyoto Accord as an international agreement on climate change.
- 63% of Canadians believe that the country that buys and uses the oil and gas should be responsible for paying for increased greenhouse gas emissions.
- 70% of Canadians feel that the federal government should be most responsible for protecting the critical infrastructure of our natural resources, such as oil and gas pipelines.



“CDFAI has always recognized that the defence and foreign policy debate in Canada does not occur in a vacuum and has used polls to push the envelope in two ways. First, the Annual Conference poll is used to explore a facet of defence and foreign policy in detail. This year CDFAI’s Energy Superpower poll provided a detailed examination into Canada’s energy status and allowed conference speakers and attendees to place their policy ideas and concerns in this broader public and political context. As is now becoming a tradition, we received a number of requests for the detailed findings from various agencies within the government, indicating CDFAI has captured their attention. Second, CDFAI was also able to attract significant media attention through coverage of the poll results and publication of an accompanying op ed.

INNOVATIVE looks forward to working with CDFAI to continue advancing our understanding of the public opinion dimensions of foreign and defence policy and in the process, keeping CDFAI in the media and decision-making spotlight.”

Greg Lyle

Innovative Research Group



Department of National Defence photo

“Once again the Canadian Defence & Foreign Affairs Institute has issued a knowledgeable and useful publication that Members of Parliament, Cabinet Ministers and Defence Staff can all gain great benefit from reading. Thank you for continuing to observe and comment on important matters that have such critical effects on this country.”

Peter MacKay

Minister of National Defence

on CDFAI's publication *CFIS: A Foreign Intelligence Service for Canada*

by Barry Cooper

Programming Highlights

Research Papers

In 2007, CDFAI produced seven research papers. The purpose of this was to offer a critical examination of issues and concerns pertaining to defence, diplomacy and international relations regarding Canadian foreign policy and the military.

Canada in Afghanistan: Is it Working? by Gordon Smith (March). The purpose of this paper is to assess and evaluate Canada's Foreign Policy regarding Afghanistan and to make recommendations for policy improvement and implementation.

Conflict in Lebanon: On the Perpetual Threshold by Tami Amanda Jacoby (April). This paper critically examines the conflict between Israel and the Hezbollah during the Summer of 2006. It seeks to inspire debate regarding long-term peace between enemies with conflicting interests.

The Information Gap: Why the Canadian Public Doesn't Know More About its Military by Sharon Hobson (June). This paper looks at interviews with people directly involved in the Afghanistan Mission to demonstrate that the major players in the conflict did not fulfill their public information mandate as they did not explain why the commitment was made, or how the mission would be accomplished.

Report on Canada, National Security and Outer Space by James Fergusson (June). This paper projects that space has developed into a national security issue for Canada. It recommends that the Government of Canada establish an independent commission to examine space and develop a national policy and strategy in order to best utilize space to further the interests of Canadians.

A Threatened Future: Canada's Future Strategic Environment and Its Security Implications by J.L. Granatstein, Gordon Smith and Denis Stairs (Fall). This paper examines Canada's future strategic environment, looking at what might happen in the next 20 – 25 years in order to assess the threats Canada faces and to offer judgments on where Canadians might be most vulnerable. It offers measures that need to be taken now to begin to address the coming threats.

Canada as the "Emerging Energy Superpower": Testing the Case by Annette Hester (October). This paper uses historical definitions and frameworks of traditional energy superpowers to draw upon a definition and criteria for ranking energy superpowers. It determines that despite Canada's energy resources, it does not qualify as a superpower.

CFIS: A Foreign Intelligence Service for Canada by Barry Cooper (November). This paper contends that due to social and economic globalization, intelligence can no longer be focused on domestic threats and Canada cannot rely upon intelligence produced by others for its own means. The paper argues for Canada to establish its own foreign intelligence collection agency.



Nexen Inc. photo

“CDFAI's country study reports have added value to the due diligence we conduct prior to entry into a new country where we may conduct business. The analysis of the security and political situations has always been done systematically, with excellent research and background presentation. It has become a valuable tool in our assessment method.”

Jean-Yves Pineault
Nexen Inc.

Nexen Paper Series

Nexen Inc. sponsored this series of papers produced by CDFAI to help Canadian organizations better engage in international activities and to provide interested readers with a geopolitical overview of specific nations. The Nexen paper series began in 2006 and assesses the risks to organizations operating in foreign countries and suggests proactive solutions that will mitigate those risks. CDFAI is grateful to Nexen Inc. for its sponsorship of this series.

Colombia: Current and Future Political, Economic and Security Trends

by Stephen Randall and Jillian Dowding (November 2006)

Some analysts believe that Colombia is now at the point where it can move beyond thirty years of internal strife and realize its full potential, especially its economic potential. This paper delves into the ways in which the political and security environment has evolved in Colombia in order to understand and examine Colombia's current political, economic and security trends and predict possible trends five to ten years in the future.

Nigeria: Mapping Political, Economic and Business Scenarios in the Post-Obasanjo Era

by Stephen Nairne (April)

Nigeria is an important state and cannot be ignored. It has the largest population of any country in Africa, is home to more Muslims than any other state on the continent, and is one of the world's leading oil producers. This paper explores possible medium term political, economic and business scenarios based on Umaru Yar'Adua's assumption of the Nigerian presidency in April 2007, the progress of the 2003 plan to reinvigorate the economy, and the strengthening counter-insurgency movement within Nigeria.

Turkey: Current and Future Political, Economic and Security Trends

by Aliye Pekin Çelik and Leylac Naqvi (December)

Kemal Atatürk's efforts to Westernize and modernize the new republic of Turkey after the First World War gave Turkey a unique political perspective that continues to influence that country's political policies. This paper seeks to address the current and future political, economic and security trends in one of the only democratic, peaceful and stable countries in an unstable region.



Government of Canada photo

“Canadians understand that development and security go hand in hand. Without security, there can be no humanitarian aid, no reconstruction and no democratic development. Progress will be slow, but our efforts are bearing fruit.”

Her Excellency the Right Honourable Michaëlle Jean
Speech from the Throne, October 16, 2007

Issue Response Series

The Issue Response Series is an ongoing project and in 2007 CDFAI produced one paper and one poll. CDFAI Fellows write issue response papers about important topics in Canadian defence and foreign policy that arise throughout the year. The polls, conducted by the Innovative Research Group, are commissioned in order to gauge the Canadian public's response to these issues. Both papers and polls are distributed to a targeted audience through web postings and the media. This circulation method resulted in news reports in a number of sources.

Canadians' View on Foreign Aid

by Innovative Research Group

This poll, released in February, reached a strong consensus (70%) that Canada has a moral obligation to aid poor countries. Fifty-eight percent of Canadians feel government should focus foreign aid on a few countries to make a major difference rather than give a little aid to each country. However, Canadians are divided on whether they should focus aid on countries with the greatest need (49%), or give priority to countries embracing democratic values (45%).

Canada is Back: The Speech from the Throne

by J.L. Granatstein

This paper was written in response to the Speech from the Throne that was given on October 16, 2007. Dr. Granatstein examined Canada's renewed role as a credible player on the international stage through the government's commitment to protecting Canadian sovereignty and upholding Canadian values abroad. Particular focus was given to the then upcoming vote in parliament over the Afghan mission and Stephen Harper's shrewd political maneuvering.

Dr. Granatstein's paper showed that the federal government appears to be responding to the research materials that CDFAI has produced for the last several years. These include *Canada in Afghanistan: Is it Working?* by Gordon Smith, *A Threatened Future: Canada's Future Strategic Environment and its Security Implications* by Jack Granatstein, Gordon Smith, and Denis Stairs, and the *In the National Interest* series of papers.

CDFAI's vision is a Canada that is a respected player in international affairs and that takes timely and credible action when needed. The government's commitment both to building a first class modern military and to the role of diplomacy and development in Afghanistan are action items CDFAI has urged the government take. While CDFAI cannot take all the credit for this, we are proud that our message is being heard and acted upon by the government.



"In a country with few forums to discuss foreign and defence policy, CDFAI is a treasure. Year after year, it produces provocative analysis of the big issues and addresses the hard questions. It is honest, imaginative and unconstrained by political correctness. I am impressed by its range and depth, and grateful for its singular contribution to the national conversation."

Andrew Cohen
The Unfinished Canadian
October, Calgary

Speaker Series

The Speaker Series was developed in 2004 with the intention of expanding the knowledge about international relations among corporate and community leaders. This is accomplished through inviting speakers to share their expertise on subjects of their choosing.

In 2007 CDFAI hosted the following speakers:



LGen Steve Lucas
Commander of the Air Force
March, Calgary



Ralph Sawyer
The Asian Strategic Swirl: Opportunities and Implications
May, Calgary & Edmonton



David Bercuson
Canada in Afghanistan
November, Vancouver



MGen Tim Grant
Canada in Afghanistan
November, Calgary



“En tant que témoins de l'évolution de nos sociétés, les journalistes sont amenés à expliquer les enjeux qui les transforment. Le cours sur la vie et les activités militaires canadiennes offre justement aux journalistes de demain les outils afin de mieux comprendre la paix et la guerre au XXI^e siècle.”

Jocelyn Coulon

Coordinator, French Military Journalism Course

Military Journalism Course

This nine-day course introduces university students to military journalism and the Canadian Armed Forces. The course includes a combination of media-military theory in a classroom setting, coupled with field visits to Armed Forces regular and reserve units. The goal of the program is to enhance the military education of future Canadian journalists who will report on Canadian military activities domestically and abroad. Through this education the media will become a better conduit to communicate defence and foreign affairs issues to the Canadian public. Twelve university students attended the 2007 Military Journalism Course held at the University of Calgary and Canadian Forces Base Edmonton. This year, the program has grown to introduce the first Francophone Military Journalism Course, attended by six university students and held at the Université de Montréal and Canadian Forces Base Valcartier, near Québec City.



English Course
Instructor: Dr. Bob Bergen



French Course
Instructor: Dr. Jocelyn Coulon

Ross Munro Media Award

In November the Conference of Defence Associations (CDA), in concert with CDFAI, honoured Matthew Fisher, a Middle East correspondent with CanWest News, with the 2007 Ross Munro Media Award. The Ross Munro Media Award was initiated in 2002 to recognize Canadian journalists who have made a significant and extraordinary contribution to increasing public understanding of Canadian defence and security issues. Mr. Fisher was unanimously singled out from the other candidates based on “his superb battlefield coverage that has for years enlightened Canadians about the world they—and their servicemen and women—inhabit.”



From Left: Robert S. Millar (CDFAI), Matthew Fisher, Her Excellency the Right Honourable Michaëlle Jean, LGen Richard Evraire (CDA)



Partnered Conferences

Democracy & Security: Core Values & Sound Policies (May)

The Prague Security Studies Institute (PSSI) co-sponsored this conference with CDFAI, held in Prague. It focused on bringing together a broad array of subject-matter experts and democracy advocates to discuss the complex relationship between democracy and security. The panel discussions included how to structure free societies and the building and defence of fundamental values and liberties in a democratic institution. David Bercuson attended the conference on behalf of CDFAI and noted three major themes of discussion: Russia today; the United States after a possible defeat in Iraq; and NATO and the threat of jihadism.

Understanding the International Implications of Geopolitics and Economics of Iran (November)

Held in Washington, D.C., CDFAI co-sponsored this conference with the Atlas Economic Research Foundation. It aimed to develop an understanding of current developments in Iran. The half-day conference had two panels that each focused on the geopolitics of Iran. The first panel was given from a political and strategic perspective while the second focused more specifically on energy. The conference also explored possible solutions to the challenges that several aspects of Iranian geopolitics and economics pose to international security. The conference was attended by approximately 75 people, including panelists, journalists, think tank representatives, Senate staffers, students, and diplomats.

Quarterly Newsletters

CDFAI distributes a quarterly newsletter, *The Dispatch*, that focuses on current programs the institute is involved with and research being done by CDFAI Fellows. Research topics that are explored within *The Dispatch* seek to educate Canadians on contemporary issues and current international concerns. Through its newsletter CDFAI is able to inform the public regarding Canada's current challenges and possible future actions on the international stage.

Reaching Out to Canadians

Dr. Bob Bergen developed this series of bi-monthly articles in order to inform the public of current issues and concerns in Canadian defence and foreign affairs. In 2007, Dr. Bergen wrote 25 columns for CDFAI that were often published by the media and were posted on the CDFAI website. The columns covered a range of timely and important issues and no doubt helped to raise the public's awareness of them.



"Drawn from the political, diplomatic, military and academic worlds, CDFAI Fellows provide a wealth of expertise on foreign, security, and defence policy issues and form the core of CDFAI's ability to be a catalyst for Canadian global engagement."

Elinor Sloan

CDFAI Fellows

David Bercuson (Calgary) – Canadian Defence Policy

Bob Bergen (Calgary) – Media-Civil Military Relations

Derek Burney (Ottawa) – Canada-US Relations

David Carment (Ottawa) – Peacekeeping & Canadian Foreign Policy

Barry Cooper (Calgary) – International Terrorism

Ray Crabbe (Winnipeg) – Canadian Military, Foreign Policy

Dany Deschênes (Quebec) – Defence/Security Policy, Quebec Security issues, East-Central Europe

Mark Entwistle (Ottawa) – International Affairs, Cuba

James Fergusson (Winnipeg) – Defence Policy/US Relations, BMD, Military Space

John Ferris (Calgary) – Intelligence, Strategy, Diplomacy

Brian Flemming (Halifax) – Airport Security, International Law

Richard Gimblett (Ottawa) – Canadian Naval/Defence Policy

Jack Granatstein (Toronto) – Canadian Defence/Foreign Policy

Frank Harvey (Halifax) – Canada-US Foreign/Security Policy, Terrorism

George Haynal (Ottawa) – North America Affairs, International Business

Sharon Hobson (Ottawa) – Defence Policy, Media-Military Relations

Rob Huebert (Calgary) – Canada-US Foreign Policy

Anne Irwin (Calgary) – Military Anthropology

Tami Jacoby (Winnipeg) – Middle East Politics

Mike Jeffery (Ottawa) – Defence Policy

Eric Lerhe (Halifax) – Defence Policy

George Macdonald (Ottawa) – Defence Capabilities

Sarah Jane Meharg (Ottawa) – Post-Conflict Reconstruction

Nelson Michaud (Quebec City) – Quebec's International Relations

Alexander Moens (Vancouver) – NATO Policy

Reid Morden (Toronto) – Intelligence

David Pratt (Ottawa) – Defence/Security Issues

Stephen Randall (Calgary) – US Foreign Policy

Andrew Richter (Windsor) – Defence/Foreign Policy

Colin Robertson (Ottawa) – NAFTA, Foreign Policy

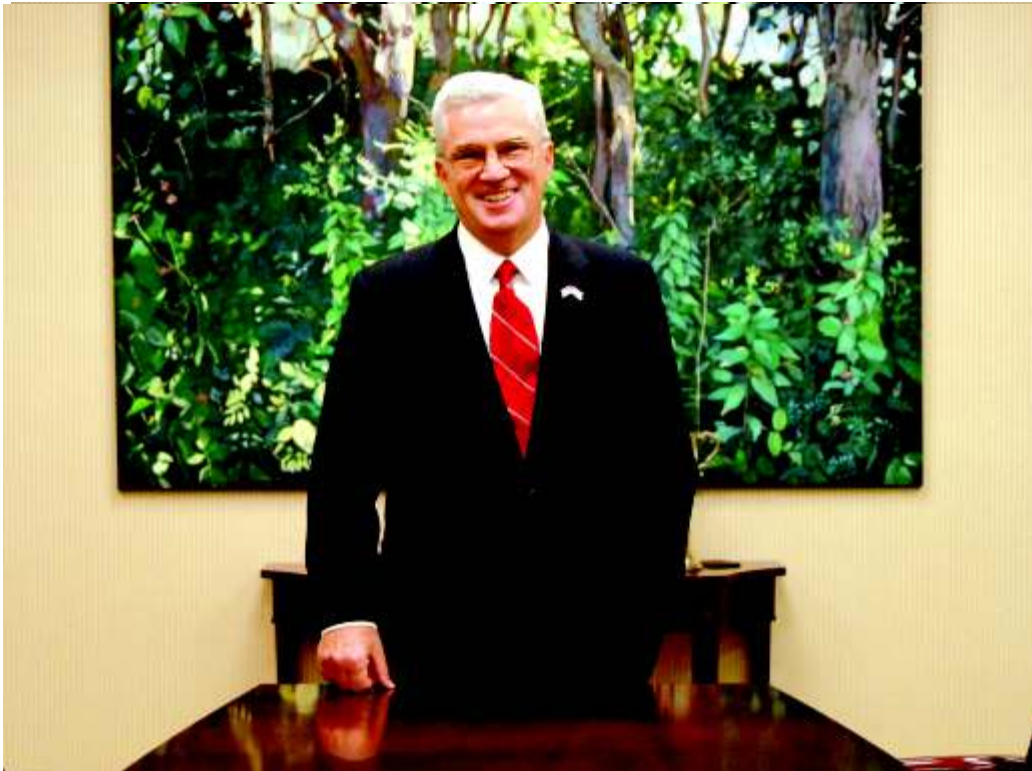
Scot Robertson (Edmonton) – Defence Policy

Stéphane Roussel (Montreal) – Defence Policy

Elinor Sloan (Ottawa) – US and Canadian Security

Gordon Smith (Victoria) – Security, Foreign policy

Denis Stairs (Halifax) – Foreign/Defence Policy



Caldwell Investment Management Ltd. photo

"Caldwell Financial is pleased to have been a sponsor of the Future Security Environment paper. As an international firm, we recognize the need for Canada to be actively engaged internationally to assist in making the world a more secure place to do business."

Tom Caldwell
Caldwell Investment Management Ltd.

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Universities

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 (CEPES) (Université du Québec à Montréal)
 Centre for Foreign Policy Studies (Dalhousie University)
 Centre for Military and Strategic Studies (CMSS)
 (University of Calgary)
 Centre for Security and Defence Studies (Carleton University)
 Defence Management Studies (Queen's University)
 Queen's University
 Université Laval

Government

Canadian Heritage (Official Languages Support Programs)



“CDFAI’s Advisory Council connects the Institute to some high-powered thinkers and practitioners. Their advice keeps us grounded and, happily, flying high at the same time. The Council’s role is indispensable.”

J.L. Granatstein

CDFAI Advisory Council

Jack L. Granatstein, Chair

Author, Historian, Toronto

Perrin Beatty

Canadian Chamber of Commerce, Ottawa

Jocelyn Coulon

Visiting Professor - University of Montreal, Montreal

Natasha Hassan

The Globe and Mail, Toronto

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Fraser Milner Casgrain, Ottawa

Paul Manson

Conference of Defence Associations Institute (CDAI), Ottawa

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Pengrowth Management Limited, Calgary

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Canadian Red Cross, Ottawa

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Financial Statements

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

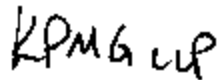
Financial Statements
December 31, 2007 and 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the statements of financial position of **Canadian Defence and Foreign Affairs Institute** (the "Institute") as at December 31, 2007 and 2006 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

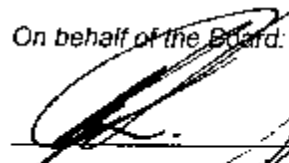



Chartered Accountants

Calgary, Canada
March 10, 2008

	2007	2006
ASSETS		
Current Assets		
Cash and term deposits	\$ 84,400	\$ 234,820
Accounts receivable	23,052	17,210
Deposits	-	2,430
	<u>107,452</u>	<u>254,460</u>
Property and equipment (note 2)	<u>1,797</u>	<u>2,138</u>
	<u>\$ 109,249</u>	<u>\$ 256,598</u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 40,170	\$ 42,431
Deferred revenue (note 5)	<u>66,862</u>	<u>187,000</u>
	107,032	\$ 229,431
Net Assets		
Net assets	<u>2,217</u>	<u>27,167</u>
	<u>\$ 109,249</u>	<u>\$ 256,598</u>

On behalf of the Board:

 _____, Director

 _____, Director

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
 Statements of Cash Flows
 Years ended December 31, 2007 and 2006

	2007	2006
Operating		
Excess (deficiency) of revenue over expenses	\$ (24,950)	\$ (18,379)
Amortization	941	6,158
Change in non-cash working capital	<u>(125,811)</u>	<u>172,920</u>
	<u>(149,820)</u>	<u>160,699</u>
Investing		
Purchase of property and equipment	(600)	-
Change in cash	(150,420)	160,699
Cash, beginning of year	<u>234,820</u>	<u>74,121</u>
Cash, end of year	<u>\$ 84,400</u>	<u>\$ 234,820</u>

The accompanying notes are an integral part of these financial statements

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
 Statements of Changes in Net Assets
 Years ended December 31, 2007 and 2006

	Invested in capital assets	Unrestricted	2007	2006
Balance, beginning of year	\$ 2,138	\$ 25,029	\$ 27,167	\$ 45,546
Excess (deficiency) of revenue over expenses	(341)	(24,609)	(24,950)	(18,379)
Balance, end of year	\$ 1,797	\$ 420	\$ 2,217	\$ 27,167

The accompanying notes are an integral part of these financial statements

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statements of Operations
Years ended December 31, 2007 and 2006

	2007	2006
Revenue		
Donations	\$ 700,858	\$ 764,533
Events	8,109	27,307
Grants and project funding	96,243	13,901
Interest	796	-
	<u>806,006</u>	<u>805,741</u>
Expenses		
Projects and communications	744,209	668,656
Professional	35,568	63,213
Salaries and consultants	36,143	71,249
Annual report	7,255	-
Office	6,635	14,004
Advertising and communications	-	17
Memberships and education	205	93
Gain on foreign exchange	-	730
Amortization	941	6,158
	<u>830,956</u>	<u>824,120</u>
Deficiency of revenue over expenses	<u>\$ (24,950)</u>	<u>\$ (18,379)</u>

The accompanying notes are an integral part of these financial statements

Organization

Canadian Defence and Foreign Affairs Institute (the "Institute") is a registered charity under the Income Tax Act and is exempt from income taxes. The Institute is dedicated to enhancing Canada's role in the world by helping to stimulate awareness and debate amongst Canadians about their nation's defence and foreign policies and the instruments that serve them.

1. Significant Accounting Policies:

Revenue recognition

The Company follows the deferral method of accounting for contributions. Restricted contributions are 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 reasonably assured.

Amortization

Computer equipment is amortized on a straight-line basis over 3 years. Furniture and equipment are amortized on a declining balance basis at 20% per year. Leasehold improvements are amortized on a straight-line basis over the period of the related lease.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the years. Significant items include valuation of accounts receivable, useful life of property and equipment and accrued liabilities. Actual results could differ from those estimates.

2. Property and equipment

	<u>Cost</u>	<u>2007 Accumulated Amortization</u>	<u>Net</u>	<u>2006 Net</u>
Leasehold improvements	\$ 17,330	\$ 17,330	\$ -	\$ 433
Furniture and equipment	3,887	2,523	1,364	1,705
Computers	<u>7,960</u>	<u>7,527</u>	<u>433</u>	<u>-</u>
	<u>\$ 29,177</u>	<u>\$ 27,380</u>	<u>\$ 1,797</u>	<u>\$ 2,138</u>

3. Related Party Transaction

During the year ended December 31, 2007 the Institute paid administrative fees of \$61,931 (2006 - \$70,982) to a group of companies controlled by the patron and member in good standing. During the year ended December 31, 2007 the Institute received donations of \$175,000 (2006 - 215,000) from a group of companies controlled by the patron and member in good standing.

4. Financial Instruments

The carrying value of cash and term deposits, accounts receivable, accounts payable and accrued liabilities and deferred revenue at December 31, 2007 approximate their fair value due to the relatively short periods to maturity.

5. Deferred revenue

Deferred revenue relates to various donor funded projects which will be recognized in the next fiscal year when these projects are completed.

For more information, contact:

Canadian Defence & Foreign Affairs Institute (CDFAI)
1600, 530 – 8th Avenue SW, Calgary, AB T2P 3S8 - P.O. Box 2204 Station "M", Calgary, AB T2P 2M4
(403) 231-7624
contact@cdfai.org
Registration Number: 87982 7913 RR0001



Canadian Defence
& Foreign Affairs
Institute

www.cdfai.org