



2004 Annual Report

CDFAI



Canadian Defence
& Foreign Affairs
Institute



President's Message (Robert S. Millar)

This has been a very successful year for Canadian Defence & Foreign Affairs Institute. Rarely can an organization in its third year of operation state that its target audiences are hearing its messages. As the leading policy think tank focusing on defence, foreign affairs and security issues, CDFAI is taking advantage of many opportunities. Through its Fellows program and its Advisory Council, CDFAI has the team to produce quality research, run exceptional education projects, and improve its outreach initiatives. This success is due to a great network of individuals and organizations created across the country and internationally.

Our list of partners includes many of Canada's top universities, policy think tanks, both here and abroad, and organizations that are likeminded in educating Canadians about the importance of Canada's world presence. Because Canada relies on international trade for 40% of its Gross Domestic Product, this country and Canadians must understand the role that a nation such as ours can play in the world. Only by playing our full part can Canadians ensure the free flow of goods, services and ideas internationally.

As 2004 developed, the Institute's core activity became more focused on developing authoritative research that is useable, objective and credible for education and outreach purposes. CDFAI is taking full advantage of the internet for communicating with large audiences at home and abroad. (You can visit our website at www.cdfai.org to find out more about the organization and subscribe to our free materials.)

Building a successful organization requires the time and personal commitment of many individuals. CDFAI is privileged to have strong supporters across the country that are providing both financial and advisory support. Their continued commitment will ensure that Canada does achieve a respected and influential voice in the international arena.

It is my pleasure to recognize those who have worked with our organization in 2004. In particular, I sincerely appreciate the contribution of our partners, staff, Fellows and others who worked tirelessly on our programs, to help make CDFAI well known. The support of our donors is gratefully appreciated. The work of the Board of Directors and the Advisory Council has again been crucial to our many achievements.

Robert S. Millar
President

Director of Programs' Message (David J. Bercuson)

In 2004 CDFAI's growing influence on the shaping of Canadian foreign and defence policy became apparent during the June federal election; both major political parties echoed policy positions that CDFAI has been advocating since its inception. As a result, the fall 2004 Throne Speech of the Minority Government headed by Prime Minister Paul Martin promised a substantial build-up of the Canadian military, a reinvigoration of Canada's diplomatic infrastructure and a refocusing of Canadian international aid. CDFAI has been a strong advocate of all three from its inception.

Although it is certainly true that CDFAI has not been the only "think tank" in Canada to put such positions forward, the publication of the CDFAI report [In The National Interest: Canadian Foreign Policy in an Insecure World](#) in late 2003 most certainly had a significant impact among policy-making circles. That was no small achievement for a very young organization such as ours.

The most important initiative CDFAI launched in 2004 was the establishment of our national "Fellows" program. Currently at 24 members, CDFAI Fellows live and work across Canada. They include some of the "best and brightest" Canadian minds at work in the area of foreign, defence and security policy. Each has undertaken to make regular contributions to our quarterly newsletter and to help us with responses to media inquiries.

CDFAI also launched a research papers series which will come to fruition beginning in 2005 with at least one significant research paper issued every three months. Many of our Fellows have signed on to produce contributions to our research series.

In 2004 CDFAI also focused more closely on sponsorship of conferences at which students across Canada were able to present their research findings in a variety of foreign and defence policy areas. We also partnered with a number of Canadian universities, think tanks and foundations to lever our resources and strengthen our basic aim: to make Canada a more effective global partner.

David J. Bercuson
Director of Programs

General

The Canadian Defence & Foreign Affairs Institute (CDFAI) was founded in 2001 and provides Canadians with factual and comprehensive policy analysis to promote their understanding of Canada's Foreign Policy and the state of our military preparedness and national security. This is achieved through developing and sponsoring authoritative research, education programs and outreach activities.

Mission

CDFAI is a catalyst for innovative focus on diplomatic, defence and security issues.

CDFAI will fulfill this mission by:

- o Focusing on authoritative research as its core area of expertise,
- o Collaborating with other organizations,
- o Assuming it can make a real difference in educating Canadians, and
- o Ensuring its products are objective and credible.

Program Activities

2004 was another successful year for CDFAI with the continuation of some of the 2003 programs and development of new programs.

1. CDFAI in conjunction with the Dominion Institute conducted a national public opinion poll "**Visions of Canadian Foreign Policy**" that tied in with the **Defining the National Interest** conference held November 4-5, 2004 at the Lord Elgin Hotel in Ottawa. The two-day conference event was a follow up to the successful **Changing Canadian Foreign Policy** conference held in Ottawa in the fall of 2003. In this year of change and review, "Defining the National Interest" focused on Canada's international interests. The conference format included panel discussions on Canada's economic, security and political interests led by academics, representatives from NGOs, policy makers and business elites as well as working group sessions. The conference was sponsored by: The Centre for Security and Defence Studies at Carleton University; the Department of Political Studies and the Centre for International Relations at Queen's University; and l'Institut québécois des hautes études internationales at Université Laval; Woodrow Wilson International Center for Scholars: Canada Institute; and the Dominion Institute.

2. CDFAI, in partnership with the Centre for Military and Strategic Studies (CMSS) at the University of Calgary (U of C), hosted their third annual **Military Journalism Course** running from May 2nd-11th, 2004. CDFAI sponsored a scholarship for ten students to attend an eight-day course on 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 force and reserve units.

The Military Journalism Course is designed to introduce prospective journalists to the Canadian Forces and issues involved in covering the Canadian military in the new millennium. With training and education on military culture the course graduates will have stronger journalism skills to communicate with the Canadian public.

3. CDFAI implemented the "**Fellows**" program with 24 experts in Canadian defence policy, foreign affairs, and international development from across Canada as members. Some are affiliated with academic institutions; some have had extensive background in diplomatic or military pursuits. They have agreed to affiliate themselves with CDFAI to create a core of expertise that the Institute can draw upon for its research projects, its new role as a responder to the media relations, and to fill the increasing demand for speakers on these topics. All of our CDFAI Fellows write regularly for CDFAI's quarterly electronic newsletter.
4. CDFAI partnered with the Conference of Defence Associations Institute to present the **2004 Ross Munro Media Award**. The Ross Munro Media Award recognizes annually one Canadian journalist who has made a significant and outstanding contribution to the understanding by the general public of Canada's defence and security issues. The recipient of the award for 2004 was Ms. Sharon Hobson. Ms Hobson has been the Canadian correspondent for Jane's Defence Weekly for the past 18 years, and seven years ago became the Canadian correspondent for Jane's Navy International, and Jane's Defence Upgrades. In 1996, she began writing for Jane's International Defence Review. She has written a monthly column on the navy for Canadian Sailings, and has written features for the Financial Post and Canadian Defence Quarterly. Ms. Hobson co-authored, with Rear-Admiral Dusty Miller, *The Persian Excursion*, a book on the Canadian navy in the Persian Gulf War. In 2005 the Ross Munro Media Award will expand its focus to include Francophone journalists.
5. CDFAI partnered with the Centre for Military and Strategic Studies to host the **Ross Ellis Memorial Lecture in Military and Strategic Studies** (Ellis Lecture). The Ellis Lecture is an annual lecture series honouring Lieutenant Colonel Ross Ellis, a former Commanding Officer of the Calgary Highlanders. On May 17, 2004 Margaret Went, one of Canada's leading columnists, editorial writers, spoke on the topic "Adventures in the war zone: a journalist's view of Iraq". As a writer for *The Globe and Mail*, Ms. Went provokes heated debate with her views on the issues of the day. She has twice won the National Newspaper Award for column writing, and is the only journalist in Canada to hold that distinction. The aim of the lecture series is to make available to Canadians the opportunity to hear a quality speaker in order to better inform them on issues of importance and to assist in developing a better understanding of the role played in society by foreign affairs and defence.

6. CDAI was pleased to be a supporter of **The Security and Defence Forum (SDF) conference** held November 25-27, 2004 in conjunction with the Centre for Military and Strategic Studies. The purpose of the conference was to bring the 12 SDF Centres together at the University of Calgary for a two-day intensive session entitled "*Defence and Security Studies In Canada*" to share relevant ideas and research, educating and strengthening participants' understanding of Canadian security and defence issues.
7. In February, 2004 CDAI ran the **Graduate Student Paper Competition** where three prizes were awarded to graduate students for essays written on themes chosen by the student on the subject of Canadian defence, Canadian foreign policy, Canada's military or Canadian security.

\$5,000 was awarded for first prize, \$3,000 for second prize and \$2,000 for third prize.

1st Place

Brent Ellis, The Norman Paterson School of International Affairs C/o Carleton University
"If It's Not Terrorism, It's Not Relevant" Evaluating NATO's Potential to Contribute to the Campaign Against Terrorism

2nd Place

Erin Weir, Centre for Military & Strategic Studies c/o University of Calgary
"Using the Legacy of WWI to Evaluate Canadian Military Leadership in WWII"

3rd Place

Maria Mikhailitchenko
Department of Political Studies c/o Queen's University
"Reform of the Security Council and its implications for Global Peace and Security"

8. In 2004 CDAI contributed three (3) grants each of \$5,000 to a student run conference with a focus on Canada's foreign and defence policy. The goal of the competition is to encourage such conferences by offering an annual grant to be used for the publication and dissemination of the proceedings of the conference. Grant Recipients from the 2004 competition were:

Centre for Military and Strategic Studies
University of Calgary
"War & Security"
February 4th-5th, 2005

Centre for International & Security Studies
York University
"The Ethics of Building Peace in International Relations"
February 3rd-4th, 2005

Laurier Centre for Military, Strategic & Disarmament Studies
Wilfrid Laurier University
"Guest Speakers on Darfur"
January 31st, 2005

9. New in 2004 was a partnership with the Conference of Defence Associations Institute (CDAI) on the 7th Annual **Graduate Student Symposium**, held in collaboration with the Centre for International Relations and Defence Management Program at Queen's University, the Institute for Research and Public Policy (IRPP), and the War Studies Programme at the Royal Military College. This was the most successful symposium to date. CDAI believes the symposium provides a forum for PhD and MA students to share their thoughts on broad security and defence issues with colleagues, academia, and policy makers from government, while having the opportunity to listen to experts in the field.

The two-day symposium was held at the Royal Military College, October 29-30, 2004 and featured presentations on security and defence issues. Two keynote speakers were Major General Lewis MacKenzie (Ret'd) and Dr. David Bercuson who spoke of the future directions for Canadian defence policy.

Winners of the symposium research paper competition were: Major Brent Beardsley, Royal Military College, for his paper on Lessons Learned or not Learned from the Rwandan Genocide of 1994; Andrea Charron, Royal Military College, for her paper on the Northwest Passage: Is Canada's Security Really Floating Away?; Sumon Dantiki, McGill University, for his paper on Solving the Collective Action Problem: Policy Options for Future Humanitarian Interventions; Jorim Disengomoka, Centre for Military and Strategic Studies, University of Calgary, for his paper on Terror Financing: A Case Study of the DRC. An honourable mention went to Benoît Gagnon, Université de Québec à Montréal (UQAM) for his paper on the Revolution in Terrorist Affairs.

10. CDFAI partnered with the Centre for Military and Strategic Studies and the Land Force Reserve Restructure office in National Defence Headquarters to run the second **International Reserves Conference on "Homeland Defence and the Land Force Reserves"**. This conference followed on the tremendous success of the March 2002 International Reserves Conference held in Calgary. The 2004 conference ran from March 25-27 at the Palliser Hotel in Calgary, AB. Speakers from the military and academia attended from across Canada, the United States, Britain and Australia to comment on the question "What is the best way to structure, train, and deploy land force reserves for homeland defence?"

ADVISORY COUNCIL 2004

Chairman, Dr. Jack Granatstein

Born in Toronto in 1939, Jack Granatstein attended the Royal Military College, University of Toronto, and Duke University. He served in the Canadian Army, and then taught at York University until 1995. He was a Commissioner on the Special Commission on the Restructuring of the Reserves and an adviser to the Minister of National Defence. Granatstein was Director and CEO of the Canadian War Museum from 1998-2000, chair of the Council for Canadian Security in the 21st Century, and now serves on the Canadian Defence and Foreign Affairs Institute's committees and board.

He writes on Canadian national history-defence, foreign policy, Canada-US relations, and politics-and comments regularly in the media. His most recent book is *Who Killed the Canadian Military?*

Granatstein is an Officer of the Order of Canada, holds a number of honorary degrees, and has won the Pierre Berton Prize for popular history.

General (Ret'd) Paul Manson

General Manson is a retired Chief of the Defence Staff which culminated a 38-year career with the RCAF and Canadian Forces. A fighter pilot, he served extensively with NATO in Europe, and commanded at every level of the air force. Joining the RCAF in 1952, he attended the military colleges at Royal Roads and RMC, receiving the Sword of Honour upon graduation from the latter. He then obtained a BSc degree in electrical engineering from Queen's University in 1957. General Manson is also a graduate of the Canadian Forces Staff College and the National Defence College. He holds two honorary doctorates. From 1977 to 1980 he led the New Fighter Aircraft Program, resulting in the selection of the CF-18 Hornet.

After retirement from the military, General Manson entered the world of business, becoming the president and CEO of a large aerospace company, eventually retiring as Chairman of Lockheed Martin Canada in 1997. During this period he served a term as Chairman of the Aerospace Industries Association of Canada, and he received the C.D. Howe Award from the Canadian Aeronautics and Space Institute.

Upon retiring from business in late 1997, General Manson became volunteer Chairman of the Canadian War Museum's highly successful Passing the Torch Campaign, a position he still holds. He is a Trustee of the Canadian Museum of Civilization Corporation and Chairman of the Canadian War Museum Committee. He also chairs the Building Committee for the new Canadian War Museum, currently under construction.

He is a Commander of the Order of Military Merit and Commander of the U.S. Legion of Merit. In 2002 he was made an Officer of the Order of Canada, and he was the 2003 recipient of the prestigious Vimy Award.

Mr. Robert Nicolay

Mr. R.M. (Bob) Nicolay started his career in Calgary where he held positions in Finance and Accounting with Gulf Canada Resources and with Amoco Canada Petroleum. Prior to joining ENMAX in February 1999, Mr. Nicolay held several key positions at The City of Medicine Hat. He was Chief Administrative Officer of The City of Medicine Hat (Corporate Services and Chief Financial Officer) and CEO of The City's wholly owned oil and gas subsidiary corporation (650591 Alberta Ltd.) from 1995 to 1998; Commissioner of Public Services from 1992 to 1995; Manager of Financial Planning and Budget from 1989 to 1992; and, Manager of Utilities Finance from 1982 to 1989.

Mr. Nicolay received a Master of Business Administration (with Honours) in 1995, a Banff School of Advanced Management (Resident) Diploma in 1987 and a Bachelor of Commerce in 1980.

Mr. Nicolay serves as a director on the Canadian Electricity Association, ENTx Capital Corporation, Alberta's Promise and the Canadian Centre for Energy Information. Mr. Nicolay also serves the Province of Alberta as a member of the Energy Minister's Advisory Council on Electricity. He serves as a governor on the Mount Royal College Board (and chair of the Finance Committee), as a governor on the Calgary Petroleum Club Board of Governors, as a member of Sigma Beta Delta (Honours Society – Business), as a co-chair of the Canadian Museum of the Regiments "Sharing Our Military Heritage" fund raising committee and on the Advisory Committee for the Canadian Defence and Foreign Affairs Institute and the University of Calgary's Management Advisory Committee for the Haskayne School of Business.



Dr. Gordon Smith

Gordon Smith is the Director of the Centre for Global Studies, and Adjunct Professor of Political Science at the University of Victoria. Dr. Smith arrived at the University of Victoria in 1997 following a distinguished career with the Canadian Department of Foreign Affairs, which included posts as Deputy Minister of Foreign Affairs from 1994-1997, Ambassador to the European Union in Brussels from 1991-1994, and Ambassador to the Canadian Delegation to NATO, from 1985-1990. He is the author (with Moisés Naim) of *Altered States: Globalization, Sovereignty, and Governance* (Ottawa: IDRC, 2000), and co-editor (with Daniel Wolfish) of *Who is Afraid of the State? Canada in a World of Multiple Centres of Power* (Toronto: University of Toronto Press, 2001), as well as numerous book chapters and articles. Since 1997, Dr. Smith has served as Chairman of Canada's International Development Research Centre. He currently holds positions as Executive Director of the Canadian Institute for Climate Studies, and Board Director of the International Forum de Montréal. He holds a Ph.D. in Political Science from M.I.T.

Dr. Denis Stairs

Currently McCulloch Professor in Political Science at Dalhousie University, Denis Stairs attended Dalhousie, Oxford, and the University of Toronto. A former President of the Canadian Political Science Association and a member for six years of the Social Sciences and Humanities Research Council of Canada, he was the founding Director of Dalhousie's Centre for Foreign Policy Studies from 1970 to 1975. He served as Chair of his Department from 1980 to 1985, and as Dalhousie's Vice-President (Academic and Research) from 1988 to 1993.

A Fellow of the Royal Society of Canada, and a member of the Board of Directors of the Institute for Research on Public Policy (among others), he specializes in Canadian foreign and defence policy, Canada-U.S. relations, and similar subjects.

Ms. Margaret Wente

Margaret Wente, one of Canada's leading columnists, was our 2004 Ross Laird Ellis guest lecturer. As a writer for *The Globe and Mail*, Ms. Wente provokes heated debate with her views on the issues of the day. She has twice won the National Newspaper Award for column writing, and is the only journalist in Canada to hold that distinction.

Ms. Wente joined *The Globe and Mail* in 1986 to edit Report on Business Magazine. She went on to edit the *Report on Business* section of the daily newspaper and, later, the front section. She began writing a weekly column in 1992, and has been a full-time columnist since 1999.

BOARD OF DIRECTORS 2004

Mr. Bob Booth

Bob Booth is a partner in the Calgary office of the Bennett Jones law firm where he has practiced commercial law since 1978.

Bob is involved in professional, academic and public policy organizations. In addition to being a Director of the Canadian Defence and Foreign Affairs Institute, he is a Director of the Canadian Petroleum Law Foundation, Chair of the Advisory Council to the University of Calgary's Centre for Military and Strategic Studies and serves on the national executive committee of the Royal Military College Club of Canada.

Bob attended the Royal Military College of Canada 1970-1974 (B. Engineering) and Dalhousie Law School 1974-1977 (LLB).

Chairman, Robert J.S. (Bob) Gibson

Robert J. S. Gibson was born in Bentley, Alberta in 1946. After graduation, he joined the Royal Canadian Navy as an officer cadet; attended the University of Alberta and University of Calgary; and worked in number of corporate administrative positions.

Currently, Bob is Managing Director of Alsten Holdings Ltd., the holding company of the Singer Family of Calgary and operates a commercial cattle operation in Penticton, B.C.

Bob has served as Honorary Lieutenant Colonel of the 15th Edmonton Medical Company and sits on a number of committees related to the Army Reserve restructuring. On August 8th, 2001, Bob was named Honorary Lieutenant Colonel of the Calgary Highlanders and later assumed the position of Honorary Colonel.

Dr. Jack Granatstein

Jack Granatstein is Distinguished Research Professor of History Emeritus at York University, a former Director and CEO of the Canadian War Museum, and the Chair of the Council for Canadian Security in the 21st Century. He writes extensively on Canadian history, especially military history.

Mr. Robert S. Millar

Bob has academic, corporate, government, military and not-for-profit experience. He taught at the Royal Military College. Over the past 25 years, he has been an executive in several corporations ranging from oil sands development, downstream petroleum, biotechnology, private medicine and high tech research & development. In 2000 he retired with the rank of Brigadier-General from the Canadian Forces, having served 15 years in the Regular Army and 20 years with the Army Reserve. Bob has served on several corporate, industry, and Not for Profit Boards.

Currently, he is a director of the Kid's Cancer Care Foundation of Alberta, the Calgary Military Museum Society, the Museum of the Regiments and the Calgary Highlanders Regimental Funds Foundation. He is Chair of Eric Technologies Corporation and the Sharing Our Military Heritage Foundation. Bob has a Master of Business Administration and Bachelor of Commerce degrees from Queen's University. In 1998 he attended the Queen's University Public Executive Program. He holds the designation "Officer" in the Order of Military Merit.

DIRECTOR OF PROGRAMS

Dr. David Bercuson

David Bercuson was born and raised in Montreal and attended Sir George Williams University, graduating in June 1966 with Honours in History and winning the Lieutenant-Governor's Silver Medal for the highest standing in history. After graduation he pursued graduate studies at the University of Toronto, earning an MA in history in 1967 and a Ph.D. in 1971.

Dr. Bercuson has published in academic and popular publications on a wide range of topics specializing in modern Canadian politics, Canadian defence and foreign policy, and Canadian military history. He has written, coauthored, or edited over 30 popular and academic books and does regular commentary for television and radio. He has written for the Globe and Mail, the Toronto Star, the Calgary Herald, the National Post and other newspapers.

In 1988, Bercuson was elected to the Royal Society of Canada and in May 1989, he was appointed Dean of the Faculty of Graduate Studies at The University of Calgary. In 1997 he was appointed Special Advisor to the Minister of National Defence on the Future of the Canadian Forces. He was a member of the Minister of National Defence's Monitoring Committee from 1997 to 2003. Since January 1997 he has been the Director of the Centre for Military and Strategic Studies at the University of Calgary. Currently he is also the Director of Programs for the Canadian Defence & Foreign Affairs Institute.

In 2002 Dr. Bercuson was awarded the J. B. Tyrrell Historical Medal from the Royal Society of Canada. Dr. Bercuson is Honorary Lieutenant Colonel of the 33 Field Engineer Squadron, a Land Force Reserve Military Engineer unit.

In 2004, he was appointed an Officer of the Order of Canada. He recently became the recipient of the 2004 Vimy Award sponsored by the Conference of Defence Association Institute (CDAI), which recognizes Canadians who have made a significant and outstanding contribution to the defence and security of our nation and the preservation of our democratic values.

DONORS

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Dominion Institute
Department of Foreign Affairs and International Trade
Land Force Reserves Restructure
Laval University
Norman Paterson School of International Affairs (NPSIA)
University of Calgary
Queen's University
Woodrow Wilson Center: Canada Institute

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE****Financial Statements
December 31, 2004 and 2003****AUDITORS' REPORT TO THE MEMBERS**

We have audited the balance sheets of **Canadian Defence and Foreign Affairs Institute** (the "Institute") as at December 31, 2004 and December 31, 2003 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2004 and the period from August 1, 2003 to December 31, 2003. 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, 2004 and December 31, 2003 and the results of its operations and cash flows for the year ended December 31, 2004 and the period from August 1, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
March 18, 2005*The accompanying notes are an integral part of these financial statements*

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statements of Financial Position
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current Assets		
Cash and term deposits	\$ 52,366	\$ 470,368
Accounts receivable	15,510	16,072
Deposits	119	2,000
	<u>67,995</u>	<u>488,440</u>
Fixed assets	(note 2) <u>15,787</u>	<u>24,190</u>
	<u>\$ 83,782</u>	<u>\$ 512,630</u>
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 48,010	\$ 33,394
Deferred revenue	10,000	-
	<u>58,010</u>	<u>\$ 33,394</u>
Net Assets		
Net assets	<u>25,771</u>	<u>479,236</u>
	<u>\$ 83,781</u>	<u>\$ 512,630</u>

On behalf of the Board:

 _____, Director

 _____, Director

The accompanying notes are an integral part of these financial statements



CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statements of Operations
For the periods ended December 31, 2004 and 2003

	Jan 1, 2004 to Dec 31, 2004	Aug 1, 2003 to Dec 31, 2003
Revenue		
Donations	\$ 413,215	\$ 488,863
Grants and project funding	38,312	75,000
Interest	3,247	-
	<u>454,774</u>	<u>563,863</u>
Expenses		
Projects and communications	742,581	237,005
Professional	76,760	16,663
Salaries and consultants	66,114	12,344
Office	12,506	4,955
Fundraising	1,242	15,248
Memberships and education	633	218
Depreciation	8,404	2,297
	<u>908,240</u>	<u>288,730</u>
Excess (deficiency) of revenue over expenses	\$ (453,466)	\$ 275,133

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statements of Changes in Net Assets
For the periods ended December 31, 2004 and 2003

	Invested in capital assets	Unrestricted	Jan 1, 2004 to Dec 31, 2004	Aug 1, 2003 to Dec 31, 2003
Balance, beginning of period	\$ 24,190	\$ 455,047	\$ 479,237	\$ 204,103
Excess (deficiency) of revenue over expenses	(8,404)	(445,062)	(453,466)	275,133
Balance, end of period	\$ 15,786	\$ 9,985	\$ 25,771	\$ 479,236

The accompanying notes are an integral part of these financial statements

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statements of Cash Flows
For the periods ended December 31, 2004 and 2003

	Jan 1, 2004 to Dec 31, 2004	Aug 1, 2003 to Dec 31, 2003
Operating		
Excess (deficiency) of revenue over expenses	\$ (453,466)	\$ 275,133
Depreciation	8,404	2,297
Change in non-cash working capital	27,060	(4,194)
	<u>(418,002)</u>	<u>273,236</u>
Investing		
Purchase of fixed assets	-	(19,179)
Change in cash	(418,002)	254,057
Cash, beginning of period	470,368	216,311
Cash, end of period	<u>\$ 52,366</u>	<u>\$ 470,368</u>

The accompanying notes are an integral part of these financial statements

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE****Notes to Financial Statements****For the periods ending December 31, 2004 and 2003****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.

Depreciation

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

Comparative figures

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

2. Fixed Assets

	Accumulated Cost	Amortization	2004 Net	2003 Net
Leasehold improvements	\$ 17,330	\$ 6,358	\$ 10,972	\$16,256
Furniture and equipment	11,248	6,433	4,815	7,934
	<u>\$ 28,578</u>	<u>\$12,791</u>	<u>\$ 15,787</u>	<u>\$24,190</u>

The accompanying notes are an integral part of these financial statements

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Notes to Financial Statements
For the periods ending December 31, 2004 and 2003

3. Related Party Transaction

During the year ended December 31, 2004 the Institute paid administrative fees of \$58,146 (year ended December 31, 2003 – \$6,197) to a group of companies controlled by the patron and member in good standing. During the year ended December 31, 2004 the Institute received donations of \$150,000 from a company controlled by the patron and member in good standing.

4. Financial Instruments

The carrying value of cash and term deposits, accounts receivable, deposits, accounts payable and accrued liabilities and deferred revenue held at December 31, 2004 approximate their fair value due to the relatively short periods to maturity.

The accompanying notes are an integral part of these financial statements



Canadian Defence
& Foreign Affairs
Institute