

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**

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**Financial Statements**

**The period from August 1, 2003 to December 31, 2003  
and the year ended July 31, 2003**

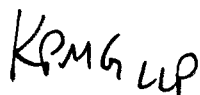
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## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the balance sheets of **Canadian Defence and Foreign Affairs Institute** (the "Institute") as at December 31 and July 31, 2003 and the statements of revenues, expenses and net assets for the period from August 1, 2003 to December 31, 2003 and the year ended July 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 audit.

We conducted our audit 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 and July 31, 2003 and the results of its operations and cash flows for the period from August 1, 2003 to December 31, 2003 and the year ended July 31, 2003 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "KPMG LLP", is positioned above the printed name of the firm.

Chartered Accountants

Calgary, Canada  
March 19, 2004

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31 and July 31, 2003**

<b>Dec 31</b>	<b>Jul 31</b>
<b>2003</b>	<b>2003</b>

**ASSETS**

**Current Assets**

Cash and term deposits	\$ 470,368	\$ 216,311
Accounts receivable	16,072	10,528
Deposits	<u>2,000</u>	<u>2,500</u>
	488,440	229,339

Fixed assets		(note 2)	<u>24,190</u>	<u>7,308</u>
			<u>\$ 512,630</u>	<u>\$ 236,647</u>

**LIABILITIES AND NET ASSETS**

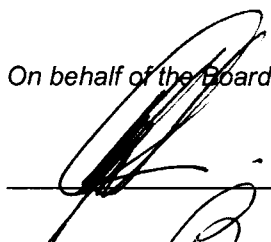
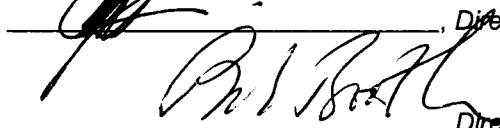
**Current Liabilities**

Accounts payable and accrued liabilities	\$ 33,394	\$ 32,543
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**Net Assets**

	<u>479,236</u>	<u>\$204,104</u>
	<u>\$ 512,630</u>	<u>\$ 236,647</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  
STATEMENT OF OPERATIONS**

**The period from August 1, 2003 to December 31, 2003 and the year ended July 31, 2003**

	<b>5 months ended December 31 2003</b>	<b>Year ended July 31 2003</b>
<b>Revenue</b>		
Donations	\$ 490,000	\$ 1,260,450
Grants and project funding	<u>75,000</u>	<u>-</u>
	<u>565,000</u>	<u>1,260,450</u>
<b>Expenses</b>		
Projects	238,143	580,521
Fundraising	15,248	32,662
Salaries and consultants	12,344	27,044
Professional	7,729	12,252
Office	13,888	16,193
Memberships and education	218	758
Depreciation	<u>2,297</u>	<u>2,091</u>
	289,867	671,521
<b>Excess of revenue over expenses</b>	<u><u>275,133</u></u>	<u><u>588,929</u></u>

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

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**

**STATEMENTS OF CHANGES IN NET ASSETS**

**The period from August 1, 2003 to December 31, 2003 and the year ended July 31, 2003**

	<b>Invested in capital assets</b>	<b>Unrestricted</b>	<b>2003 Dec 31 Total</b>	<b>2003 Jul 31 Total</b>
Balance, beginning of period	\$ 7,308	\$ 196,796	\$ 204,104	(\$384,825)
Excess of revenue over expenses	(2,297)	277,430	275,133	588,929
Investment in capital assets	19,179	(19,179)	-	-
Balance, end of period	\$ 24,190	\$ 455,047	\$ 479,237	\$204,104

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

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE  
STATEMENTS OF CASH FLOWS**

**The period from August 1, 2003 to December 31, 2003 and the year ended July 31, 2003**

	<b>5 months ended December 31</b>	<b>Year ended July 31</b>
	<b>2003</b>	<b>2003</b>
<b>Operations</b>		
Excess of revenue over expenses	\$ 275,133	\$ 588,929
Add back depreciation	2,297	2,091
Change in non-cash working capital	<u>(4,194)</u>	<u>(366,417)</u>
	<u>273,236</u>	<u>224,603</u>
 <b>Investing</b>		
Purchase of fixed assets	<u>(19,179)</u>	<u>(9,400)</u>
 Change in cash	254,057	215,203
Cash, beginning of the period	<u>216,311</u>	<u>1,108</u>
Cash, end of the period	<u><u>\$ 470,368</u></u>	<u><u>\$ 216,311</u></u>

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

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Notes to Financial Statements

The period from August 1, 2003 to December 31, 2003 and the year ended July 31, 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 fixtures 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

	2003			2002
	Cost	Accumulated Depreciation	Net	Net
Leasehold improvements	17,330	(1,074.40)	16,256	-
Furniture & equipment	11,248	(3,313.92)	7,934	7,308
	<u>\$ 28,579</u>	<u>\$ (4,388.32)</u>	<u>\$ 24,190</u>	<u>\$ 7,308</u>

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**

**Notes to Financial Statements**

**The period from August 1, 2003 to December 31, 2003 and the year ended July 31, 2003**

**3. Related party transaction**

During the five months ended December 31, 2003 the Institute paid administrative fees of \$6,197 (year ended July 31, 2003 - \$6,197) to a group of companies controlled by the patron and member in good standing. During the year ended July 31, 2003 the Institute received donations of \$400,000 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, deposits and accounts payable held at December 31, 2003 approximate their fair value due to the relatively short periods to maturity.