President’s Message (Robert S. Millar)

It has been my privilege, as President, to work with several outstanding individuals who have assisted in steering the operation and development of CDFAI as it evolves into a well-funded, dynamic institute focused on defence and foreign affairs research and education. It has been a time of challenge and great satisfaction when one considers that CDFAI is now providing Canadians with relevant and reliable foreign policy analysis amid the international confusion, turmoil and instability that launched the 21st century.

CDFAI would be forever in the planning stage without the generous support of our anonymous Patron whose vision and true grit have provided the incentive we needed to become a pre-eminent foreign, security and defence policy institute in Canada. In addition, CDFAI is fortunate to have Dr. David J. Bercuson, eminent historian and noted Canadian author, in the role of Vice President, Research. To round out the staff, Alexis Apps serves as the very efficient and effective Institute’s Executive Assistant. CDFAI is grateful for the extraordinary advice and dedicated volunteer time given by CDFAI’s Advisory Council including Lt.Gen (Ret’d) Romeo Dallaire; Dr. Jack Granatstein; Mr. Robert Nicolay; Dr. Gordon Smith; Dr. Denis Stairs; and Ms. Margaret Wente. The thoughtful governance of Board Directors, Mr. Robert Booth and HCol. Robert Gibson ensured that CDFAI has a clear strategic direction for the next four years.

I would be remiss if I did not acknowledge the many authors and other talented individuals who have provided us with their wisdom and expertise in the areas that CDFAI has chosen to develop its programs. Similarly, a big thank you goes to the several individuals, foundations and corporations for their generous financial support.

Relationship building, collaborative partnerships and strong leadership are the watch words at CDFAI. I would like to thank our partners at the Centre For Military and Strategic Studies (CMSS) at the University of Calgary for their outstanding support of CDFAI’s first year, as well as The Conference of Defence Associations Institute (CDAI), who permitted us to become a sponsor of the annual Ross Munro Media Award. By working together with other likeminded organizations across Canada and internationally, we will ensure that Canada gains its respected, influential voice in the international arena on the basis of a comprehensive foreign policy which expresses our political and social values, military capabilities and economic strength.

Vice President, Research’s Message (David J. Bercuson)

In the first year of existence, CDFAI has introduced many successful initiatives designed to support research into Canadian defence and foreign affairs policy. It is noteworthy that CDFAI worked with Carleton University and The Center for the Study of the Presidency from Washington, DC to host a CDFAI first Ottawa policy symposium on the topic of Canadian Defence and the Canada-US Strategic Partnership. Not only was the conference well attended by practitioners from the Department of National Defence and the Department of Foreign Affairs and International Trade but also other institutes, and academics from several Canadian universities. The conference publication was well received by many politicians and media outlets that received copies. We are hoping to make this an annual event.

CDFAI launched its website where the above publication is listed as well as many other topical issues. There are links to many other resources throughout Canada and parts of the world that serious researchers and browsers may find of interest.
Two areas that CDFAI is interested in developing further are student essays and student run conferences. This was our first year at running competitions in these areas. In the latter case three universities, University of Calgary, University of Manitoba and York University were successful in earning a grant to run student-organized defence and security conferences. The student paper competition was launched with an expectation that it will likewise receive strong support across Canada from students interested in issues of defence, foreign affairs and national security.

CDFAI ran a trial journalism course, focused on the Canadian Forces, in conjunction with the University of Calgary. Although the first class was restricted in numbers, the feedback was exceptional and the program will be expanded in the future.

Finally of note, CDFAI assisted in sponsoring the BorderLines series of conferences which ran in several Canadian and American cities.

It has been my pleasure to be associated with this start-up organization and I can only see great things for the future as Canadians become better informed on issues of significance related to this country’s defence and foreign affairs policies and actions.

GENERAL

CDFAI was incorporated in 2001 to address the need for a well-funded, dynamic institute focused on defence and foreign affairs research and education. There are several universities and other independent organizations across the country involved in this field. Lack of adequate funding is a major impediment to their success. CDFAI believes that it can make a difference by working with likeminded organizations across Canada.

Mission:

Dedicated to enhancing Canada’s role in the world by helping to inform Canadians about their nations’ defence and foreign policies and the instruments that serve them.

Values and Beliefs:

• A nation’s international influence or status governs its ability to advance, protect and defend its national interest, by their cultural, economic, social or political.
• Cultural influence, diplomatic leadership, economic power or military power primarily determines international status. As a nation small in population, Canada’s place in the world can only be maintained by a judicious balancing of the four.
• To make the world a more secure place and to diminish suffering, Canada must participate internationally at or near its potential.
• Canadians need to better understand the importance of military power and its corresponding influence on all aspects of foreign policy, international affairs and trade (hard power enables soft power).
• Authoritative analysis and research is necessary to develop logical arguments leading to positive action.
• Canada has the economic potential and political and social values to make a significant contribution to international peace and security.
ACTIVITIES

2002 was a period of beginnings for CDFAI with the successful launch of many programs and partnerships.

1. CDFAI was officially launched at the University of Calgary 2002 Army Reserve Conference Inaugural Gala Banquet held March 22, 2002 in Calgary.

2. September 5-6, 2002 CDFAI, in collaboration with the Center for the Study of the Presidency, and the Centre for Security & Defence Studies, Norman Paterson School of International Affairs (NPSIA), at Carleton University held a conference on Canadian Defence and the Canada-US Strategic Partnership at the Lord Elgin Hotel, Ottawa. CDFAI's role was to initiate the conference, organize the papers and presenters, and publish the proceedings. The conference received extensive coverage by major media (CBC TV, CBC Radio, Ottawa Citizen). A publication of the papers presented at the conference was distributed to approximately 200 politicians, businesspersons and members of the Canadian Forces.

3. CDFAI piloted a course to teach four journalism students from across Canada basic facts and information about the Canadian military. The course was a great success and will become an annual program with the intention of increasing the number of student scholarships per year. The course material was taught and administered by Bob Bergen, former reporter for the Calgary Herald and currently a PhD candidate at the Centre for Military and Strategic Studies (CMSS) at the University of Calgary. Students at universities and community colleges with journalism programs were invited to apply.

4. CDFAI, in collaboration with the Conference of Defence Associations Institute (CDAI), initiated the Ross Munro Media Award to recognize 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 2002 was Stephen Thorne, of the Canadian Press. More than 400 people including parliamentarians, businesspersons, members of the Canadian Forces and the general public were in attendance at the Museum of Civilization gala event on November 15, 2002.

5. CDFAI established a website in 2002.

6. A Strategic Plan and a Fund Development Plan for CDFAI were finalized and implementation was begun.

FUTURE PLANS

1. Following the launch of CDFAI's foreign policy paper titled “Changing Canadian Foreign Policy” there will be a conference held late October 2003 at the Lord Elgin Hotel, Ottawa. In partnership with Carleton University, Université Laval and Queen's University the conference will bring politicians, dignitaries, academics and media together to discuss Canada’s foreign policy and how it should be modified.

2. The twelfth annual VIMY Award dinner with the presentation of the Ross Munro Media Award will be held at the Canadian Museum of Civilization on Friday, November 21st, 2003.

3. In 2003 CDFAI will sponsor an eight-day course to teach ten journalism students from across Canada basic facts and information about the Canadian military. The course will be taught and administered by Bob Bergen, former Military Affairs reporter for the Calgary Herald and currently a PhD candidate at the University of Calgary.

P.O. Box 2204, Stn. M., Calgary, AB. T2P 2M4 Ph: 403-231-7624 Fx: 403-231-7647
4. In 2003 three prizes will be awarded to graduate students in each of two categories:
   - Essays written on themes chosen by CDFAI;
   - Essays written on themes chosen by the student, as long as the subject is on Canadian defence, Canadian foreign policy, Canada's military or Canadian security.

In each category, $5,000 will be awarded for first prize, $3,000 for second prize and $2,000 for third prize.

Universities with Security and Defence Forum programs or universities with centres, programs, or institutes with an interest in international relations, security studies, or defence studies will be invited to submit a maximum of two essays for each category of prizes. The essays must be original, written by students in masters programs enrolled at the university.

5. In 2003 CDFAI will contribute three (3) grants each of $5,000 to be awarded to a student run conference with a focus on Canada's foreign and defence policy.

6. CDFAI will partner with the Centre for Military and Strategic Studies to develop an e-learning curriculum based website geared to high school social studies teachers and students.

7. CDFAI will partner with the Centre for Military and Strategic Studies to develop an electronic academic journal.

8. Fundraising will continue to focus on increasing CDFAI's donor list, and to raise awareness of CDFAI's mandate.

FINANCIALS

CDFAI Financial Statements for the 2002 fiscal year are attached as Annex B.

Robert S. Millar
President

Annexes:
Annex A - Advisory Council and Board of Directors
Annex B - 2002 CDFAI Financial Statements
APPENDIX A

ADVISORY COUNCIL 2002

Chairman, Dr. Jack Granatstein
Lt. Gen. (Ret’d) Romeo Dallaire
Mr. Bob Nicolay
Dr. Gordon Smith
Dr. Denis Stairs
Ms. Margaret Wente

BOARD OF DIRECTORS 2002

Mr. Bob Booth
HCol Robert J.S. (Bob) Gibson
Mr. Robert S. Millar
Financial Statements of

CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

Period from inception on August 3, 2001 to July 31, 2002
AUDITORS' REPORT TO THE MEMBERS

We have audited the balance sheet of the Canadian Defence and Foreign Affairs Institute (the "Institute") as at July 31, 2002 and the statements of operations and changes in net liabilities and cash flows for the period from inception on August 3, 2001 to July 31, 2002. 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 July 31, 2002 and the results of its operations and its cash flows for the period from inception on August 3, 2001 to July 31, 2002 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
October 17, 2002
CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE  
Statement of Financial Position  
July 31, 2002

### Assets

<table>
<thead>
<tr>
<th>Current assets</th>
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<tbody>
<tr>
<td>Cash</td>
<td>$1,108</td>
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<tr>
<td>Accounts receivable</td>
<td>9,252</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$10,360</strong></td>
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</table>

### Liabilities and Net Liabilities

<table>
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<tr>
<th>Current liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$395,185</td>
</tr>
<tr>
<td><strong>Net liabilities</strong></td>
<td>(384,825)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$10,360</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

On behalf of the Board of Directors:

_________________________  Director

_________________________  Director
CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statement of Operations and Changes in Net Liabilities
Period from inception on August 3, 2001 to July 31, 2002

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>$</th>
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<tbody>
<tr>
<td>Donations</td>
<td>40,200</td>
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</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
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</thead>
<tbody>
<tr>
<td>Salaries and consultants</td>
<td>222,975</td>
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<tr>
<td>Projects</td>
<td>107,782</td>
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<tr>
<td>Travel</td>
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<td>Office</td>
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<td>Rent</td>
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<td>Advertising</td>
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<tr>
<td>Professional</td>
<td>3,943</td>
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<td>Memberships and education</td>
<td>2,522</td>
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<td></td>
<td>425,025</td>
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</tbody>
</table>

Deficiency of revenue over expenses 384,825

Net assets, beginning of period –

Net liabilities, end of period $384,825

See accompanying notes to financial statements.
CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE
Statement of Cash Flows
Period from inception on August 3, 2001 to July 31, 2002

Cash provided by (used in)

Operations:
   Deficiency of revenue over expenses $ 384,825
   Changes in non-cash operating working capital 385,933

Increase in cash position 1,108

Cash position, beginning of period –

Cash position, end of period $ 1,108

Cash position is defined as cash less bank indebtedness
See accompanying notes to 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 funds and carries on research relating to current and future issues of national defence and security as well as Canada's role in matters of foreign affairs including international peace and stability.

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.

2. Economic dependence:

The Institute's donations have all been received from one source.

3. Subsequent event:

Subsequent to July 31, 2002 the Institute received donations sufficient to fund its deficiency.