

Audited Financial Statements of

**CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**

Years ended December 31, 2014 and 2013



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## INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Defence and Foreign Affairs Institute

We have audited the accompanying financial statements of Canadian Defence and Foreign Affairs Institute, which comprise the statements of financial position as at December 31, 2014 and 2013, the statements of operations, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Defence and Foreign Affairs Institute as at December 31, 2014 and 2013, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

April 30, 2015  
Calgary Canada

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Balance Sheets

December 31, 2014 and December 31, 2013


	2014	2013
<b>Assets</b>		
Current Assets:		
Cash	\$ 190,813	\$ 209,711
Accounts receivable (note 3)	85,634	60,196
Prepays	2,707	2,665
	<u>279,154</u>	<u>272,572</u>
Capital assets (note 2)	286	357
	<u>\$ 279,440</u>	<u>\$ 272,929</u>

## Liabilities & Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities (note 3)	53,929	88,524
Deferred revenue (note 4)	91,009	49,559
	<u>144,938</u>	<u>138,083</u>
Net Assets:		
Net assets	134,502	134,846
	<u>\$ 279,440</u>	<u>\$ 272,929</u>

See accompanying notes to financial statements

On behalf of the Board:

  
\_\_\_\_\_

Director

  
\_\_\_\_\_

Director

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Statements of Operations

Years ended December 31, 2014 and 2013

	2014	2013
Revenues:		
Donations	\$ 570,820	\$ 638,275
Events	74,534	13,380
Grants and project funding	149,435	153,750
	<u>794,789</u>	<u>805,405</u>
Expenses:		
Projects and communications (note 5)	688,314	689,261
Fundraising (note 5)	51,333	54,649
Professional (note 5)	25,780	28,394
Salaries and consultants (note 5)	15,375	16,359
Office (note 5)	14,260	13,508
Amortization	71	1,387
	<u>795,133</u>	<u>803,558</u>
Excess (deficiency) of revenue over expenses	\$ (344)	\$ 1,847

See accompanying notes to financial statements

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Statements of Changes in Net Assets

Years ended December 31, 2014 and 2013

	2014		2013	
Balance, beginning of year	\$	134,846	\$	132,999
Excess (deficiency) of revenues over expenses		(344)		1,847
Balance, end of year	\$	134,502	\$	134,846

See accompanying notes to financial statements

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash provided by (used in):		
Operation:		
Excess (deficiency) of revenues over expenses	\$ (344)	\$ 1,847
Amortization	71	1,387
Change in non-cash working capital	(18,625)	132,225
Cash provided (used) by operating activities	(18,898)	135,459
Increase (decrease) in cash	(18,898)	135,459
Cash, beginning of year	209,711	74,252
Cash, end of year	\$ 190,813	\$ 209,711

See accompanying notes to financial statements

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Notes to Financial Statements

December 31, 2014 and 2013

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### Organization

The Canadian Defence and Foreign Affairs Institute (the "Institute") was incorporated under the Canada Corporations Act and obtained status from the Canadian Charities directorate as a registered charity under the Income Tax Act on August 3, 2001. The Institute was continued under the Canada Not-for-profit Corporations Act on June 23, 2014. The Institute 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:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook.

#### (a) Revenue recognition:

The Institute follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related restricted purpose expenses are incurred. Contributions receivable will be recorded if the amount to be received can be reasonably estimated and the collection is reasonably assured.

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. Endowment contributions are recognized as direct increases in net assets.

The Institute reports revenues and expenses at their gross amounts in the statement of operations when it is the principal in the transactions involved. The Institute acted as the principal in all of its 2014 and 2013 transactions and therefore, all revenues and expenses are reported at their gross amounts.

#### (b) Capital assets:

Capital assets are recorded at cost and amortized over the useful life of the assets. Furniture and equipment are amortized on a declining balance basis at 20%. Computer equipment is amortized on a straight-line basis over 3 years.

#### (c) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items include valuation of accounts receivable, completeness of accrued liabilities and the allocation of expenses. Actual results could differ from those estimates.



# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Notes to Financial Statements

December 31, 2014 and 2013

### 1. Significant Accounting Policies (continued):

#### (d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Institute has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are any indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial assets or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

### 2. Capital assets:

December 31, 2014				
		Cost	Accumulated amortization	Net book value
Furniture and equipment	\$	3,887	\$ 3,601	\$ 286
Computer equipment		11,850	11,850	-
Total	\$	15,737	\$ 15,451	\$ 286

December 31, 2013				
		Cost	Accumulated amortization	Net book value
Furniture and equipment	\$	3,887	\$ 3,530	\$ 357
Computer equipment		11,850	11,850	-
Total	\$	15,737	\$ 15,380	\$ 357

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Notes to Financial Statements

December 31, 2014 and 2013

### 3. Related party transactions:

During the year ended December 31, 2014, the Institute paid administrative fees of \$148,390 (2013 - \$143,412) and at the year ended December 31, 2014, the Institute had payables in the amount of \$16,141 (2013 - \$44,806) owing to companies controlled by a Member. The Institute receives legal services from a law firm in which one of the Directors of the Institute is a partner. These transactions are initiated by management. The net cost of these services in 2014 was \$2,682 (2013 - \$5,125) of which \$nil (2013 - \$2,563) was payable at December 31, 2014. During the year ended December 31, 2014, the Institute received donations and revenue from this law firm in the amount of \$15,000 (2013 - \$15,000). During the year ended December 31, 2014, the Institute recognized donations and revenue from Directors and Members and companies controlled by Directors and Members in the amount of \$367,850 (2013 - 386,000). At the year ended December 31, 2014, the Institute had receivables from companies controlled by a Member and a company controlled by a Director in the amount of \$442 (2013 - \$3,122). At the year ended December 31, 2014, the Institute had payables in the amount of \$4,988 (2013 - \$11,254) owing to a company controlled by a Director. All related party transactions are provided in the normal course of business and recorded at the exchange amount being the amount agreed to by the parties.

### 4. Deferred revenue:

Deferred revenue relates to contributions for various donor funded projects which, if the projects are not completed, will be returned to the donors.

### 5. Allocated expenses:

The following general support expenses are allocated:

	Projects and communication expense	Salaries and consultants	Fundraising	Professional	Office	Basis of allocation
<b>Salary and contract expenses:</b>						
Program coordinator salary	90%				10%	budgeted hours
Student wages	100%					budgeted hours
President's contract	60%	20%	20%			actual hours
Director of Programs	95%		5%			actual hours
Vice President contract	90%		10%			actual hours
<b>Professional:</b>	72%		12%	16%		historical resource utilization
<b>Other general support expenses:</b>						
Business meals, club memberships, education, Powerpeople software, travel & auto, advertising, annual report, communications, office, insurance, rent, and business tax	80%		10%		10%	historical resource utilization

# CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE

## Notes to Financial Statements

December 31, 2014 and 2013

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### 5. Allocated expenses (continued):

Salary and contract expenses of \$210,726 (2013 - \$206,743) have been allocated as follows:

#### **SALARY AND CONTRACT EXPENSE**

	<b>2014</b>	<b>2013</b>
Project and communications expense	\$ 164,750	\$ 158,207
Salaries and consultants	15,375	16,359
Fundraising	23,845	25,960
Office	6,756	6,217
	<b>\$ 210,726</b>	<b>\$ 206,743</b>

Professional expenses of \$165,682 (2013 - \$165,265) have been allocated as follows:

#### **PROFESSIONAL EXPENSE**

	<b>2014</b>	<b>2013</b>
Project and communications expense	\$ 119,946	\$ 115,918
Professional	25,780	28,394
Fundraising	19,956	20,953
	<b>\$ 165,682</b>	<b>\$ 165,265</b>

Other general support expenses of \$65,939 (2013 - \$66,556) have been allocated as follows:

#### **OTHER GENERAL SUPPORT EXPENSE**

	<b>2014</b>	<b>2013</b>
Projects and communications expense	\$ 50,903	\$ 51,529
Fundraising	7,533	7,736
Office	7,503	7,291
	<b>\$ 65,939</b>	<b>\$ 66,556</b>

### 6. Financial risk and concentration of risk:

#### (a) Credit risk:

The Institute is exposed to credit risk on its accounts receivable from its clients and its cash held at banks. The Institute assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Institute only deals with highly reputable financial institutions.

# **CANADIAN DEFENCE AND FOREIGN AFFAIRS INSTITUTE**

## **Notes to Financial Statements**

**December 31, 2014 and 2013**

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### **6. Financial risk and concentration of risk (continued):**

**(b) Interest rate risk:**

The Institute is not exposed to significant interest rate risk.

**(c) Liquidity risk:**

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations on a timely basis or at a reasonable cost. The Institute is not exposed to significant liquidity risk.

### **7. Comparative information**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.