



## *Independent auditor's report*

To the Chief Agent of The Liberal Party of Canada

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### **Report on the audit of the financial information**

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#### *Our opinion*

In our opinion, the accompanying financial information of The Liberal Party of Canada (the Party) for the year ended December 31, 2019 is prepared, in all material respects, in accordance with the financial reporting provisions of Section 432 of the Canada Elections Act and in the prescribed form issued by Elections Canada (the reporting requirements).

#### **What we have audited**

The Party's financial information comprises the Registered Party Financial Transactions Annual Return (the Return), which comprises:

- Part 4 – Federal Liberal Agency of Canada (Agency) Financial Statements. The Agency's financial statements comprise:
  - the statement of financial position as at December 31, 2019;
  - the statement of operations and changes in net assets for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- Parts 2a through f
- Parts 3a through f

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#### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial information* section of our report.

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



## **Independence**

We are independent of the Party in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Emphasis of matter – basis of accounting and restriction on distribution and use*

We draw attention to the fact that the financial information has been prepared in accordance with the reporting requirements referred to above. The financial information is prepared to assist the Chief Agent of the Party to meet the requirements of the Canada Elections Act. As a result, the financial information may not be suitable for another purpose. Our report is intended solely for the Chief Agent of the Party and the Chief Electoral Officer and should not be distributed to or used by parties other than the Chief Agent of the Party and the Chief Electoral Officer. Our opinion is not modified in respect of this matter.

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### *Responsibilities of the Chief Agent and those charged with governance for the financial information*

The Chief Agent is responsible for the preparation of the financial information in accordance with the reporting requirements referred to above, and for such internal control as the Chief Agent determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Party's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial information*

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Party's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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### **Report on other legal and regulatory requirements**

As required by Subsection 435(1) of the Canada Elections Act, in our opinion, the Return presents the information contained in the financial records on which it is based.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
June 29, 2020



## *Independent auditor's report*

To the Directors of Federal Liberal Agency of Canada

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Federal Liberal Agency of Canada (the Agency) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **What we have audited**

The Agency's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*.

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

#### **Independence**

We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
June 29, 2020

# **The Federal Liberal Agency of Canada**

Financial Statements  
**December 31, 2019**

# The Federal Liberal Agency of Canada

## Statement of Financial Position

As at December 31, 2019

	2019 \$	2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,352,905	2,269,138
Accounts receivable	22,473,252	1,121,201
Prepaid expenses	412,761	389,907
	27,238,918	3,780,246
<b>Property and equipment</b> (note 3)	945,245	933,596
	28,184,163	4,713,842
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Bank loans (note 4)	24,700,000	-
Accounts payable and accrued liabilities (note 5)	1,901,082	1,949,519
Deferred lease inducement	141,856	141,856
	26,742,938	2,091,375
<b>Deferred lease inducement</b>	815,360	957,216
	27,558,298	3,048,591
<b>Net assets</b>	625,865	1,665,251
	28,184,163	4,713,842
<b>Commitments and related party transactions</b> (note 6)		
<b>Subsequent event</b> (note 7)		

### Approved by the Board of Directors

\_\_\_\_\_  
Director

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Director

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



# The Federal Liberal Agency of Canada

## Statement of Operations and Changes in Net Assets

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>Revenue</b>		
Contributions	21,044,166	16,605,186
Election and government rebates	20,623,293	29,671
Other	373,509	176,646
	<u>42,040,968</u>	<u>16,811,503</u>
<b>Expense</b>		
Advertising – Radio	1,064,397	20,920
Advertising – TV	5,272,035	-
Advertising – Other	7,616,290	766,152
Amortization of property and equipment	213,273	231,364
Bank charges and interest	820,967	327,094
Fundraising activities	4,367,817	3,365,547
Office	4,829,870	2,394,071
Polling and research	1,376,084	170,369
Professional services (note 6)	2,934,080	1,822,496
Salaries and benefits	7,948,293	5,461,997
Travel and hospitality	5,581,026	366,478
Transfers	998,600	580,628
Other	57,622	1,299,970
	<u>43,080,354</u>	<u>16,807,086</u>
<b>Net revenue (expenses) for the year</b>	(1,039,386)	4,417
<b>Net assets – Beginning of year</b>	<u>1,665,251</u>	<u>1,660,834</u>
<b>Net assets – End of year</b>	<u>625,865</u>	<u>1,665,251</u>

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

# The Federal Liberal Agency of Canada

## Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expense) for the year	(1,039,386)	4,417
Items not affecting cash		-
Amortization of property and equipment	213,273	231,364
Amortization of lease inducement	(141,856)	(141,816)
Changes in non-cash working capital items		
Accounts receivable	(21,352,051)	749,373
Prepaid expenses	(22,854)	(99,146)
Accounts payable and accrued liabilities	(48,437)	30,038
	<u>(22,391,311)</u>	<u>774,230</u>
<b>Investing activities</b>		
Purchase of property and equipment	<u>(224,922)</u>	<u>(63,872)</u>
<b>Financing activities</b>		
Increase in bank loans	28,000,000	-
Repayment of bank loans	<u>(3,300,000)</u>	<u>-</u>
	<u>24,700,000</u>	<u>-</u>
<b>Change in cash and cash equivalents during the year</b>	2,083,767	710,358
<b>Cash and cash equivalents – Beginning of year</b>	<u>2,269,138</u>	<u>1,558,780</u>
<b>Cash and cash equivalents – End of year</b>	<u>4,352,905</u>	<u>2,269,138</u>

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

# The Federal Liberal Agency of Canada

## Notes to the Financial Statements

December 31, 2019

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### 1 Nature of operations

The Liberal Party of Canada (the Party) is a Registered Party as defined in Section 2(1) of the *Canada Elections Act*. The Federal Liberal Agency of Canada (the Agency) is the Party's chief agent for all contractual and business matters.

### 2 Summary of significant accounting policies

#### Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Use of estimates

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Significant items subject to such estimates and assumptions include election rebates. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

#### Revenue recognition

The Agency follows the deferral method of accounting for contributions. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Contributed materials and services, except volunteer labour, are recorded at fair value. Except where required by the *Canada Elections Act*, the value of volunteer labour is not recorded in the financial statements.

Participant fees for conventions and annual general meetings are recognized in the year the convention is held.

Election rebates are recognized in the year of the election expenditure, when the amount can be reasonably estimated and collection is reasonably assured. The Agency has recognized revenue for election rebates based on management's interpretation of the applicable legislation in the *Canada Elections Act*. These amounts are subject to review and acceptance by Elections Canada prior to collection.

# The Federal Liberal Agency of Canada

## Notes to the Financial Statements

December 31, 2019

### Property and equipment

Property and equipment are initially recorded at cost and are amortized, over their estimated service lives, on a straight-line basis as follows:

Building	20 years
Print shop equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	3 years
Leasehold improvements	remainder of lease

### Lease inducement

Inducements received to enter into office leases for office space are deferred and amortized on a straight-line basis over the term of the lease as a reduction of office expenses.

## 3 Property and equipment

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Building	198,240	112,439	85,801	90,341
Print shop equipment	365,505	342,249	23,256	-
Furniture and fixtures	1,070,668	978,270	92,398	134,185
Computer equipment and software	947,565	930,283	17,282	5,986
Leasehold improvements	1,171,903	445,395	726,508	703,084
	3,753,881	2,808,636	945,245	933,596

Cost and accumulated amortization amounted to \$3,528,957 and \$2,595,361, respectively, as at December 31, 2018.

## 4 Bank loans and lines of credit

Demand bank loans of \$24,700,000 (2018 – \$nil) were held by various Canadian chartered banks at the banks' prime rate of 3.95%. The loans are secured by both a general security agreement and Elections Canada rebates.

The Agency has lines of credit available up to \$6,000,000 at annual rates of interest at the banks' prime rate of 3.95% as at December 31, 2019 (2018 – 3.95%), due on demand. As at December 31, 2019, the Agency had \$nil (2019 – \$nil) drawings on these facilities. The lines of credit are collateralized by a general security agreement.

# The Federal Liberal Agency of Canada

## Notes to the Financial Statements

December 31, 2019

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### 5 Government remittances

Government remittances included in accounts payable and accrued liabilities are \$22,330 (2018 – \$1,340).

### 6 Commitments and related party transactions

The future minimum payments for lease agreements and other significant commitments are as follows:

	\$
Year ending December 31, 2020	2,013,807
2021	932,765
2022 – 2024	2,453,503
Thereafter	1,128,387

The Agency purchased services from a private company related to an executive on the national board of directors of the Party. The purchased services are included within professional services in the statement of operations and changes in net assets and are included in the commitment schedule above.

In the event of an election, the Agency has \$272,500 committed to various organizations. The Agency has also committed \$383,000 (2018 – \$419,000) for provincial activity.

These related party transactions have been recorded at the exchange amount, which is the amount agreed on by the related parties involved.

### 7 Subsequent event

Due to developments surrounding the outbreak and containment efforts of the COVID-19 pandemic subsequent to year-end, management is assessing the impact of the pandemic on operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of any earnings disruption and market movements in general.

### 8 Financial instruments

The Agency initially measures its financial assets and financial liabilities at fair value. The Agency subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable. Financial liabilities measured at amortized cost include demand bank loans and accounts payable and accrued liabilities.

#### Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Agency is exposed to liquidity risk mainly with respect to its demand bank loans and accounts payable and accrued liabilities. Cash flows from operations provide a substantial portion of the Agency's cash requirements. The Agency also has lines of credit as described in note 4. The full amount of the line of credit is available at the end of 2019.

# **The Federal Liberal Agency of Canada**

## **Notes to the Financial Statements**

**December 31, 2019**

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### **Credit risk**

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Agency to credit risk consist principally of cash and cash equivalents and accounts receivable. The Agency's cash and cash equivalents are maintained at major financial institutions; therefore, the Agency considers the risk of non-performance of these instruments to be remote. Trade receivables are generally due within 30 to 90 days. No trade receivables mature beyond one year.

### **Interest rate risk**

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Agency is exposed to interest rate risk on its demand loans (note 4).