

**Manning Foundation for Democratic Education**  
**Financial Statements**  
*December 31, 2014*

## Management's Responsibility

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To the Members of Manning Foundation for Democratic Education:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors ("the Board") is composed primarily of Directors who are neither management nor employees of the Foundation. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Foundation's external auditors.

MNP LLP, an independent firm of chartered accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 28, 2015



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Preston Manning  
President and CEO

To the Members of Manning Foundation for Democratic Education:

We have audited the accompanying financial statements of Manning Foundation for Democratic Education, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 audit. We conducted our audit 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 the auditors' 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, the auditor considers 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 statement.

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

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Foundation derives a significant portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses, assets and net assets.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects the financial position of Manning Foundation for Democratic Education as at December 31, 2014, 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.

Calgary, Alberta

May 28, 2015

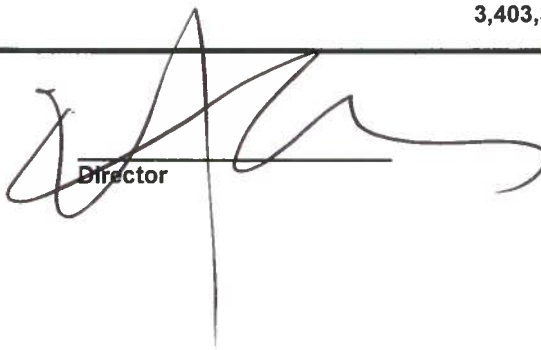
**MNP LLP**  
Chartered Accountants

**Manning Foundation for Democratic Education**  
**Statement of Financial Position**  
*As at December 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	978,716	547,922
Accounts receivable (Note 4)	55,886	121,887
Prepaid expenses and deposits	45,183	17,663
Due from related party (Note 5)	-	21,136
	<b>1,079,785</b>	708,608
<b>Capital assets (Note 6)</b>	<b>2,323,534</b>	2,614,407
<b>Deposit</b>	-	22,200
	<b>3,403,319</b>	3,345,215
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	19,661	27,675
Due to related party (Note 5)	1,046	-
Deferred contributions (Note 7)	915,225	441,532
	<b>935,932</b>	469,207
Term loan due on demand (Note 8)	1,440,000	2,000,000
	<b>2,375,932</b>	2,469,207
<b>Deferred contributions related to capital assets (Note 9)</b>	<b>1,511,273</b>	1,217,443
	<b>3,887,205</b>	3,686,650
<b>Commitments (Note 12)</b>		
<b>Net Assets (Deficit)</b>		
Investment (deficiency) in capital assets	(627,739)	(603,036)
Internally restricted	299,444	299,444
Unrestricted deficit	(155,591)	(37,843)
	<b>(483,886)</b>	(341,435)
	<b>3,403,319</b>	3,345,215

Approved on behalf of the Board

  
 Director

  
 Director

The accompanying notes are an integral part of these financial statements

# Manning Foundation for Democratic Education

## Statement of Operations

For the year ended December 31, 2014

	2014	2013
<b>Revenue</b>		
Donations	452,370	650,837
Amortization of deferred contributions related to capital assets (Note 9)	126,170	93,863
Program service fees	101,000	89,200
Rental income	89,244	89,244
Interest	4,599	717
	<b>773,383</b>	<b>923,861</b>
<b>Program revenue</b>		
Municipal governance	213,704	355,771
School of practical politics	184,643	4,146
GAP analysis	100,000	-
C2C	40,100	25,229
Public opinion survey	25,000	152,500
Manning networking conference	-	7,490
	<b>563,447</b>	<b>545,136</b>
	<b>1,336,830</b>	<b>1,468,997</b>

Continued on next page

# Manning Foundation for Democratic Education

## Statement of Operations

*For the year ended December 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Total revenue</b> <i>(Continued from previous page)</i>	<b>1,336,830</b>	<b>1,468,997</b>
<b>Expenses</b>		
Amortization	308,047	335,099
Rent <i>(Note 5)</i>	216,272	238,669
Salaries and benefits	127,612	222,068
Administration	63,803	128,034
Consulting	61,652	74,542
Interest on long-term debt	57,134	76,773
Resource development, marketing and public education	55,993	67,452
	<b>926,399</b>	<b>1,261,190</b>
<b>Program expenses</b>		
Municipal governance	213,704	355,771
School of practical politics	117,747	2,771
GAP Analysis	108,315	-
C2C	47,094	50,629
Public opinion survey	66,022	73,402
	<b>552,882</b>	<b>482,573</b>
<b>Total expenses</b>	<b>1,479,281</b>	<b>1,743,763</b>
<b>Deficiency of revenue over expenses</b>	<b>(142,451)</b>	<b>(274,766)</b>

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

**Manning Foundation for Democratic Education**  
**Statement of Changes in Net Assets**

*For the year ended December 31, 2014*

	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	<i>2014</i>	<i>2013</i>
Net assets, beginning of year	(603,036)	299,444	(37,843)	(341,435)	(66,669)
Deficiency of revenue over expenses	-	-	(142,451)	(142,451)	(274,766)
Amortization of deferred contributions related to capital assets	126,170	-	(126,170)	-	-
Amortization	(308,047)	-	308,047	-	-
Acquisition of capital assets	17,174	-	(17,174)	-	-
Increase of deferred capital contributions related to capital assets	(420,000)	-	420,000	-	-
Repayment of term loans	560,000	-	(560,000)	-	-
<b>Net assets, end of year</b>	<b>(627,739)</b>	<b>299,444</b>	<b>(155,591)</b>	<b>(483,886)</b>	<b>(341,435)</b>

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

# Manning Foundation for Democratic Education

## Statement of Cash Flows

*For the year ended December 31, 2014*

	<b>2014</b>	<b>2013</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from programs, donations, and other	1,639,341	1,352,780
Cash receipts from unrestricted investment income	4,599	717
Cash paid for program expenses	(843,919)	(1,134,892)
Cash paid for salaries and benefits	(167,865)	(222,068)
Cash paid for interest	(57,898)	(76,773)
	<b>574,258</b>	<b>(80,236)</b>
<b>Financing</b>		
Advances from related party	45,769	14,668
Repayment of advances from related party	(49,233)	(11,025)
Advances of term loans due on demand	-	280,000
Repayments of term loans due on demand	(560,000)	(480,000)
Cash contributions received for capital assets	420,000	420,000
	<b>(143,464)</b>	<b>223,643</b>
<b>Investing</b>		
Proceeds on disposal of marketable securities	-	10,010
Purchase of capital assets	-	(224,313)
	<b>-</b>	<b>(214,303)</b>
<b>Increase (decrease) in cash resources</b>	<b>430,794</b>	<b>(70,896)</b>
<b>Cash resources, beginning of year</b>	<b>547,922</b>	<b>618,818</b>
<b>Cash resources, end of year</b>	<b>978,716</b>	<b>547,922</b>

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



# Manning Foundation for Democratic Education

## Notes to the Financial Statements

For the year ended December 31, 2014

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### 1. Incorporation and nature of the organization

Manning Foundation for Democratic Education ("the Foundation") was incorporated under the Canada Corporations Act on July 27, 2005 and is a registered charity under the Income Tax Act. The Foundation advances education through research and the development of courses that teach students about the tools, principles, ethics and values of participatory democracy, in order to prepare them for careers as leaders at all levels of government. The Foundation commenced operations in January 2008.

By amendment of articles dated March 13, 2009, the Foundation's name was changed from The Centre For Democratic Education to the Manning Foundation for Democratic Education.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

#### **Cash and cash equivalents**

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

#### **Capital assets**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at one half of the standard rates.

	<i>Method</i>	<i>Rate</i>
Computer equipment	declining balance	55 %
Data network	declining balance	20 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	15 years

#### **Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Foundation's leasehold improvements. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

#### **Revenue recognition**

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

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### **Contributed materials and services**

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

**Manning Foundation for Democratic Education**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2014*

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**2. Significant accounting policies** *(Continued from previous page)*

***Measurement uncertainty***

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

***Financial instruments***

The Foundation recognizes its financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA 3840 Related Party Transactions (refer to Note 5).

At initial recognition, the Foundation may irrevocably elect to subsequently measure any financial instrument at fair value. The Foundation has made no such elections.

The Foundation subsequently measures all other financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations for the current period. Conversely, transactions costs and financing fees are added to the carrying amount of those financial instruments subsequently measured at amortized cost or cost.

***Financial asset impairment***

The Foundation assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year statement of operations.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

**Manning Foundation for Democratic Education**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2014*

**3. Cash resources**

Cash is composed of:

	<i>2014</i>	<i>2013</i>
Operating cash (deficiency)	63,491	(193,054)
Restricted cash - internal	-	299,444
Restricted cash - external	915,225	441,532
	978,716	547,922

Externally restricted cash consists of cash related to externally restricted programs disclosed in Note 7. Internally restricted cash is designated by the Board of Directors to be used for future program expenses (Note 10).

**4. Accounts receivable**

Included in accounts receivable at year end is \$5,886 (2013 - \$107,714) related to Goods and Services Tax receivable.

**5. Due from related party**

Manning Centre for Building Democracy ("the Centre") is committed to achieving a democratic society guided by conservative principles in Canada. It is a builder and supporter of market oriented research, training and communication vehicles. The Centre is a related party by virtue of common control.

During the year the Centre was charged \$89,244 (2013 - \$89,244) for office rentals and Centre paid expenses of \$114,890 (2013 - \$14,668) which were charged back to the Foundation. At year end \$1,046 was payable to the Centre (2013 - \$21,136 receivable).

The Foundation leases property from 1548071 Alberta Ltd., a corporation controlled by a member of the Board of Directors of the Foundation. Rent expense paid to 1548071 Alberta Ltd. totaled \$240,302 (2013 - \$238,669) of which \$24,030 (2013 - \$nil) was allocated to the GAP analysis program expense.

These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**6. Capital assets**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2014 Net book value</i>	<i>2013 Net book value</i>
Computer equipment	51,745	41,043	10,702	23,783
Data network	280,682	110,777	169,905	212,381
Furniture and fixtures	829,851	348,901	480,950	601,188
Leasehold improvements	1,983,785	321,808	1,661,977	1,777,055
	3,146,063	822,529	2,323,534	2,614,407

During the year, Foundation capitalized \$17,174 (2013 - \$224,313) from non-cash (2013 - cash) transactions incurred during the year.

**Manning Foundation for Democratic Education**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2014*

**7. Deferred contributions**

Deferred contributions consist of unspent contributions externally restricted for specific programs and events through the Foundation. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	<i>Municipal governance</i>	<i>School of practical politics</i>	<i>GAP analysis</i>	<b>2014</b>	<b>2013</b>
Balance, beginning of the year	363,929	77,603	-	441,532	476,650
Amount received during the year	240,000	400,000	225,000	865,000	356,800
Less: amount recognized during the year	(213,704)	(77,603)	(100,000)	(391,307)	(356,918)
Transfer to the Centre	-	-	-	-	(35,000)
<b>Balance, end of year</b>	<b>390,225</b>	<b>400,000</b>	<b>125,000</b>	<b>915,225</b>	<b>441,532</b>

**8. Term loan due on demand**

	<b>2014</b>	<b>2013</b>
Bank of Montreal demand non-revolving credit facility, to a maximum of \$2,500,000, due on demand, bearing interest at the bank's prime rate + 0.5% per annum, with interest only charged until June 2013. The bank's prime rate at year end was 3.0%. Payable in annual instalments of \$480,000 beginning June 2013, maturing June 2017, secured with a personal guarantee, demand promissory notes in \$100,000 multiples and general security agreement over all present and after acquired property, undertakings and assets of the Foundation.	1,440,000	2,000,000

Principal repayments on term loan due on demand until maturity are estimated as follows:

2015	480,000
2016	480,000
2017	480,000
	<b>1,440,000</b>

**Manning Foundation for Democratic Education**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2014*

**9. Deferred contributions related to capital assets**

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2014	2013
Balance, beginning of year	1,217,443	891,306
Amount received during the year	420,000	420,000
Less: amounts recognized as revenue during the year	(126,170)	(93,863)
Balance, end of year	1,511,273	1,217,443

**10. Internally restricted net assets**

The Foundation's Board of Directors internally restricted \$nil (2013 – \$299,444) of unrestricted net assets to be held for future program expenses. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

**11. Economic dependence**

The Foundation's primary source of revenue is donations from an independent corporation. The Foundation's ability to continue viable operations is dependent upon securing other donors or the continued receipt of donations from the independent corporation and continued compliance with an agreement between the two entities, ending December 31, 2019. As at the date of these financial statements, management believes that it is in compliance with the guidelines specified in the funding agreement.

**12. Commitments**

The Foundation has entered into an lease agreement for office rent with estimated minimum monthly payments of \$15,000. This agreement expires on November 30, 2015.

**13. Income taxes**

The Foundation is registered as a charitable organization under the *Income Tax Act* (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**14. Financial instruments**

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Foundation is exposed to interest rate price risk on its term loan due on demand as the debt fluctuates at a rate of prime + 0.5% and matures in 2017.

**Manning Foundation for Democratic Education**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2014*

**15. The Manning Centre for Building Democracy**

The Centre and the Foundation are related by virtue of common control as they share common Board of Director members and common management. The Centre is a not-for-profit organization incorporated under the Canada Corporations Act. The Centre has not been consolidated in the Foundation's financial statements.

The financial summary of the Centre as at December 31, 2014 and for the year then ended is as follows:

	2014	2013
<b>Financial position</b>		
Total assets	1,437,448	1,319,575
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Total liabilities	1,375,735	1,256,441
Total net assets	61,713	63,135
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	1,437,448	1,319,576
<hr/>		
<b>Statement of operations</b>		
Total revenue	2,143,457	1,980,365
Total expenses	(2,144,878)	(1,970,912)
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(Deficiency) excess of revenue over expenses	(1,421)	9,453

**16. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.