



ANNUAL REPORT 2012



True North in Canadian Public Policy

ABOUT THE MACDONALD-LAURIER INSTITUTE

The Macdonald-Laurier Institute for Public Policy exists to make poor quality public policy unacceptable in Ottawa. We will achieve this goal by proposing thoughtful alternatives to Canadians and their political and opinion leaders through non-partisan and independent research and commentary.

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LETTER FROM THE CHAIR AND MANAGING DIRECTOR

Dear Friends and Supporters,

Canada needs to raise its game on every level to succeed and thrive. Nowhere is this truer than in our public policy. The only independent think tank in the nation's capital focused exclusively on national issues, the Macdonald-Laurier Institute (MLI) challenges Ottawa and all Canadians to demand and create public policy of the highest quality in every area of federal responsibility.

In 2012, our third year of operation, MLI cemented its reputation for thought leadership on national public policy in Canada. We produced timely, relevant, and thought-provoking publications that were prominently covered in the media and that captured the attention of the political class in Ottawa; we hosted events that drew new audiences to our work; and we added experts to the MLI team who will help to carry us to even bigger and better successes.

We are prepared to stack MLI's work up against any other group in Canada for quality, for breadth, for depth, and for value. The results and impact detailed in this report are possible only because of the generous support of our committed donors. We thank you as well as our many volunteers who believe that MLI's work is helping to make Canada the best-governed country in the world.

Through the continuing dedication of our funders, staff, Board of Directors, Research Advisory Board, Advisory Council, sponsors, advertisers, and other supporters we look forward to an even bigger and brighter year in 2013.



Rob Wildeboer
CHAIR,
MACDONALD-LAURIER INSTITUTE



Brian Lee Crowley
MANAGING DIRECTOR,
MACDONALD-LAURIER INSTITUTE

PUBLICATIONS

The Macdonald-Laurier Institute challenges Canadians and their political and opinion leaders to demand and create better public policy. We do this by proposing thoughtful policy alternatives through non-partisan and independent research and commentary. Our publications are the primary vehicle for our research and commentary and our focus areas cover the range of federal responsibilities.

Pharmaceutical and Health Care Policy

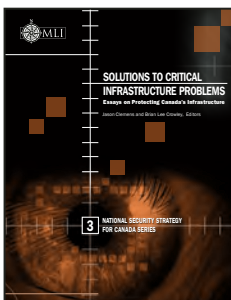


In the second paper of our Pills, Patents, and Profits series entitled *Economics of Intellectual Property Protection in the Pharmaceutical Sector*, Brian Ferguson and Kristina Lybecker argue that strong intellectual property protection in the pharmaceutical sector is needed to re-establish Canada as a global competitor. An article based on Lybecker's essay was published in *Policy Options* magazine.

Canada's Looming Fiscal Squeeze: Collected Essays on Solutions was a follow-up to MLI's 2011 blockbuster study by Christopher Ragan which predicted a \$67 billion deficit in Canada's future. Five leading thinkers including former Saskatchewan Finance Minister Janice MacKinnon drew a line between demographic change and the need for reforms to public programs, particularly health care.

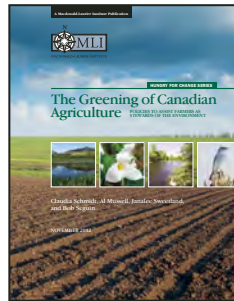
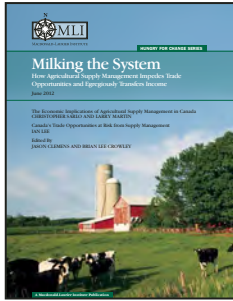
In the Turning Point 2014 series, MLI made waves with *First Do No Harm: How the Canada Health Act Obstructs Reform and Innovation*, a study by Jason Clemens and Nadeem Esmail, which was editorially endorsed by *The Ottawa Citizen*.

National Security



We added to our National Security Strategy series with a paper entitled *Solutions to Critical Infrastructure Problems: Essays on Protecting Canada's Infrastructure*. The experts who contributed were unanimous in their assessment that Canada's current approach is inadequate. They stressed the need for increased intelligence sharing between the government and the private sector and coordinated protection strategies.

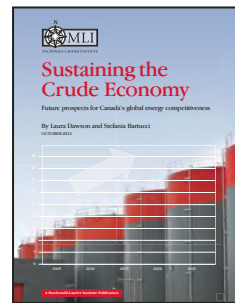
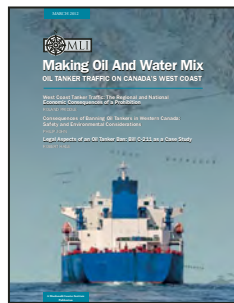
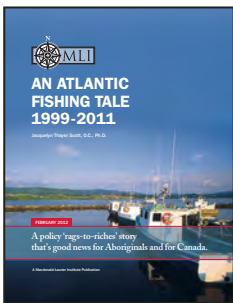
Agriculture and Agri-food



On the agriculture and agri-food front, we tackled the hotly debated issue of supply management in a new *Hungry for Change* series publication entitled *Milking the System: How Agricultural Supply Management Impedes Trade Opportunities and Egregiously Transfers Income*, by Chris Sarlo, Larry Martin, and Ian Lee. This paper appeared in June, just as news that Canada would participate in TPP negotiations was breaking, and was called “required reading in Ottawa” by a popular *National Post* columnist.

The Greening of Canadian Agriculture, by Claudia Schmidt, Al Mussell, Janalee Sweetland, and Bob Seguin, explored how farmers, the largest group of private rural landowners able to influence environmental outcomes, can be encouraged to produce ecological goods and services.

Natural Resources and Energy



A study of the Atlantic Integrated Commercial Fishery Initiative (AICFI) by Professor Jacquelyn Thayer Scott was very well-received. *An Atlantic Fishing Tale 1999-2011: A Policy ‘Rags to Riches’ Story That’s Good News for Aboriginals and for Canada* makes the case that the core principles and values that made AICFI successful offer the potential for replication outside of Atlantic Canada and potentially in areas outside fisheries resources.

Essays by Philip John, Roland Priddle, and Robert Hage published in the paper *Making Oil and Water Mix: Oil Tanker Traffic on Canada’s West Coast* examined the environmental, economic, and legal ramifications of a ban on oil tanker traffic. Their research shows that the costs of banning oil tanker traffic are extremely high with little corresponding benefit. In a similar vein, Ross McKittrick studied the potential impact of policy proposals to reduce private vehicle use. In *The High Price of Low Emissions: Benefits and Costs of GHG Abatement in the Transportation Sector* he shows why the potential social costs of trying to engineer a large change in Canadians’ transport choices likely outweigh any potential benefits.

MLI Senior Fellow Laura Dawson, along with Stefania Bartucci, identified challenges facing the energy sector in the paper *Sustaining the Crude Economy*, such as shrinking US demand for energy imports, inability to service Asian markets, distribution bottlenecks, inefficient regulatory processes, and labour shortages. They found the concerning risk to be provincial disputes and suggested that a new mechanism for cooperation between provinces may be required.

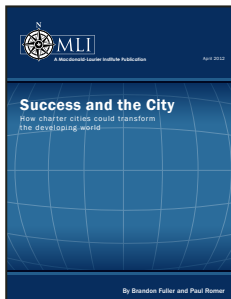
Economy and Prosperity



Jason Clemens' paper *Income Inequality: Oversimplifying a Complicated Issue*, challenged many of the unjustified beliefs Canadians hold about what inequality means and how it works. *Sound Money: Why it Matters, How to Have It*, by Jerry Jordan and Allan Meltzer revisited the invaluable contributions of Milton Friedman to monetary policy. In the paper *Public Policies to Encourage Innovation and Productivity*, Steven Gliberman concluded that Canada can boost innovation and productivity by simply encouraging more competition.

MLI drew widespread media attention with *Provincial Solvency and Federal Obligations*, by Marc Joffe. Clearly, the questions raised in the report about the future solvency of several provinces needed to be part of the ongoing national policy debate. The report continued to be referenced in the media and by policy-makers months after its release.

International Development



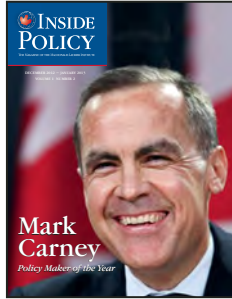
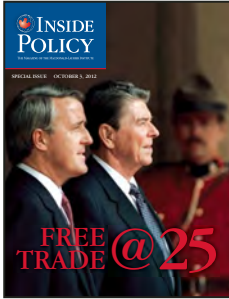
In the area of international development, we published *Success and the City: How Charter Cities Could Transform the Developing World*, by Paul Romer and Brandon Fuller. With a partner such as Canada, the innovative governance model that they propose could help to trigger significant private investment, economic growth, and reductions in poverty in Honduras.

Northern Light: Lessons for America from Canada's Fiscal Fix



In September, we published a new book, *Northern Light: Lessons for America from Canada's Fiscal Fix*, by Brian Lee Crowley, Robert P. Murphy, and Niels Veldhuis. *Northern Light* was based on our first – and still popular – book, *The Canadian Century*, and its message of deficit slashing and fiscal prudence. *Northern Light* aimed this message at the American audience. The book attracted significant positive attention in the US, including from David Frum who made it a “David’s Book Club” selection.

Inside Policy



The 25th anniversary of the signing of the Canada-US Free Trade Agreement provided the perfect occasion to launch MLI's new bi-monthly magazine, *Inside Policy*. The first issue, published in October, took an in-depth look at the FTA then and now. In December, the theme was "The Year in Review" and IP named Bank of Canada Governor Mark Carney as policy-maker of the year. The magazine is distributed to Parliamentarians, senior government officials, corporate and association leaders, and paid subscribers, providing MLI with yet another forum to capture the attention of influencers in and out of the political sphere.

Leading Economic Indicator



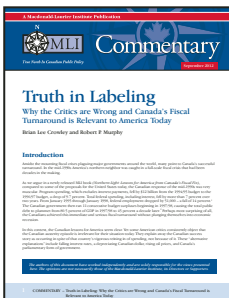
October also marked the debut of another new MLI product. Created by Philip Cross, the *Leading Economic Indicator* fills a void left by the cancellation of the Statistics Canada Composite Leading Indicator and positions MLI as a go-to source for reliable and accurate information on Canada's economic performance. The nine components of the MLI Indicator cover all the major cyclical parts of the economy, including financial markets, the labour market, exports, housing, and manufacturing, which together provide valuable insights into the future course of the Canadian economy.

Straight Talk



MLI's *Straight Talk* interviews use a simple and accessible Q and A format to help readers learn about timely matters from an expert. Our questions get to the heart of complex issues so that our experts can break them down and make them understandable to a general audience. *Straight Talk* interviews in 2012 were conducted with Laura Dawson on how to reconcile openness to foreign investment and protection of national interest; Jane Londerville on levelling the playing field for mortgages insured by private companies and those backed by the Canada Mortgage and Housing Corporation; and Scott Newark on immigration and national security.

Commentaries



Finally, we continued to publish Commentaries of 2000 – 4000 words on current issues, often drawn from speeches and testimony by MLI staff and contributing authors. In 2012, we published 11 Commentaries on topics such as natural resource development, cabotage policies, Canada's oil and gas wealth, manufacturing and the dollar, foreign direct investment, and commodity prices. Our Commentaries were in turn picked up by national media, including the *Financial Post*, the *Globe and Mail*, the *National Post*, and *Vanguard Magazine*, as well as by many web-based news outlets and local media such as the *Vancouver Sun*, the *Edmonton Journal*, the *Calgary Herald*, the *Toronto Star*, the *Ottawa Citizen*, and the *Montreal Gazette*.

EVENTS

The 2nd Annual Macdonald-Laurier Soirée, February 15, Ottawa

Parliamentarians, senior bureaucrats, political staffers, corporate and association representatives, consultants, lobbyists, and media were in attendance at this lively reception where guest speakers, the Hon. Stéphane Dion and the Hon. Michael Wilson, shared their thoughts on their favourite prime ministers.

Conference: Moving Canada Ahead: Fuelling Prosperity and Sustainability in Our Transport System, March 26 to 27, Toronto

MLI hosted its first conference with support from the Canadian Petroleum Products Institute (CPPI). The event brought together 100 high-level attendees from corporations, government, associations, and academia. The Minister of Natural Resources, Joe Oliver, addressed the group at the opening dinner and the event attracted media attention including a feature article in the *Financial Post*.

History Wars Debates, March 14 and May 10, Ottawa

Our History Wars debate series continued with John Fraser and Michael Bliss debating the Monarchy in March. Then in May, the series concluded with a debate between Sheila Copps and Andrew Coyne on the power of the Prime Minister. The debate series proved to be an effective outreach tool that allowed the Institute to engage directly with the general public and generate publicity through articles in the *Ottawa Citizen* and though CPAC where they were aired in their entirety.

Great Canadian Debates, October 4 and November 7, Ottawa

Guided by the experience of our first debate series, we re-launched the concept with a new name and stronger branding for 2012-2013. In the first debate of the new series, Andrew Coyne and Mark Starowicz faced off in a packed house over the resolution “Canada no longer needs the CBC.” In November, Jeffrey Simpson and Jack Granatstein also attracted a large audience as they debated the question “Has the War of 1812 been over-hyped?” The series will continue in spring 2013 with two more hot topics expected to draw sell-out crowds.



Ottawa Economics Association Lunch: Charter Cities as a Model for Growth and Governance, April 25, Ottawa

MLI's paper on charter cities was launched this event where author (and now, MLI Senior Fellow) Paul Romer delivered the keynote address. The *Globe and Mail* followed up on the event with a feature article by Jeremy Torobin entitled "How 'charter cities' could lift the global economy."

Luncheon: Discussion of Bi-lateral Energy Issues, May 10, Ottawa

MLI hosted a by-invitation luncheon for Carlos Pascual, the State Department's special envoy on international energy. We assembled an intimate group of 20 energy industry stakeholders including US Embassy officials, top ministerial staffers, and journalists. In addition to mingling informally with attendees, Mr. Pascual delivered remarks and took questions on bi-lateral energy issues, including the Keystone pipeline project. The *Globe and Mail's* coverage of Mr. Pascual's visit to Ottawa made prominent mention of MLI's event.



Conference: Fiscal Sanity and Political Success: Canada Proves You Can Have It All, September 18, Washington

With the American Enterprise Institute (AEI), we staged a half-day conference to launch *Northern Light*, MLI's aforementioned new book. Mary O'Grady, Americas Editor of the *Wall Street Journal*, moderated a panel discussion with Stockwell Day and Janice MacKinnon who shared their experience as provincial finance ministers during the deficit-cutting era of the mid-1990s, and Professor Ron Kneebone of the University of Calgary who provided the historical context. Then, the Right Honourable Paul Martin relayed his powerful story of balancing the budget as Canadian finance minister and of creating the political climate where that was possible. He drew compelling parallels between the Canadian situation at that time and the current situation both in the United States and in the Eurozone. Both the event and the book received much favourable media attention including articles in the *Globe and Mail*, the *Wall Street Journal*, the *Daily Beast* (online), *iPolitics* (online), the *Washington Post*, and *Roll Call*.

Panel Discussion: National Security, National Interest and Natural Resources: What Should Canadians Think About CNOOC's Bid For Nexen?, October 17, Ottawa

MLI staged a very timely and relevant panel discussion on the economic and national security costs and benefits of CNOOC's offer to buy oil and gas producer Nexen. On the panel were experts Ray Boisvert, Roger Robinson, David Kilgour and Gordon Houlden. This event was highly successful at positioning MLI as one of the country's leading commentators on the issue of natural resource companies and foreign investment by state owned enterprises (SOEs). The panel discussion was covered by major news outlets across the country including the *Globe and Mail*, the *Financial Post*, the *Toronto Sun*, and *The Hill Times* in print as well as Global National, BNN's *Business Day*, Sun News Network's *The Source*, and CPAC's *PrimeTime Politics* on television. Roger Robinson continued to be called on for interviews during the weeks leading up to the government's CNOOC-Nexen decision, appearing on Global's *The West Block* and the Dave Rutherford radio show. Following Ottawa's approval of the sale, Brian Lee Crowley was invited to offer analysis on CBC Radio's *As It Happens*, CBC Television's French and English newscasts, CTV's *Question Period*, BNN's *Business Day*, and the Dave Rutherford show.

EVIDENCE OF OUR IMPACT AND REACH

MLI played a larger role than ever in the public policy debate during 2012. We were noticed for tackling the tough issues surrounding Canada's changing demographics and the fiscal challenges they present and for helping to bring agriculture policy issues to the forefront at a time when huge opportunities exist to make Canada a true world food power. We established MLI as an outspoken voice for reasoned debate on the issue of pipelines and natural resource development, cutting through the destructive rhetoric threatening to take over the discussion. We brought fresh thinking to the health care debate from across the political spectrum. These are but a few highlights.

Impact on Public Policy

Parliamentarians are increasingly drawing on MLI's research to inform their own work; MLI has received invitations to appear before House of Commons and Senate committees and our work has been cited both during committee hearings and parliamentary debates. There is strong evidence that policy-makers are listening to MLI. A few examples:

- In 2012, the government's Bill C-31, *Protecting Canada's Immigration System Act* adopted measures that were recommended in MLI research on human smuggling that was published in 2011.
- The Atlantic Integrated Commercial Fishery Initiative (AICFI) was extended in both Budget 2012 and Budget 2013 as recommended by MLI and both Fisheries and Oceans Canada and Aboriginal Affairs, and Northern Development Canada are looking for ways to apply the best practices and lessons of AICFI to other programs as suggested in MLI's study, *An Atlantic Fishing Tale 1999-2011*.
- The December 2012 approval of the Nexen takeover by CNOOC included many recommendations made by MLI in our events and op-eds. Importantly, Ottawa agreed with MLI's insistence that the real issue was not the single transaction of CNOOC taking over Nexen; rather, it was the potential consequences of a Nexen acquisition signalling to China that all such acquisitions by state-owned enterprises (SOEs) would be acceptable. By its decision, the Canadian government signalled that it will closely examine bids by SOEs in all sectors, while recognizing that further SOE control in the oil sands would not be of net benefit to Canada although joint ventures or investment by SOEs is still possible. Ottawa also followed our recommendation that extended deadlines for national security reviews are necessary for SOE bids. In portraying the decision as a victory, China demonstrated the veracity of MLI's assertion that Canada could say no to China on national security grounds and still maintain good relations.

Website and Social Media

Our website remains the key component of our communications strategy. Macdonaldlaurier.ca was visited 57,669 times in 2012, an increase of 66.8 percent over the number of visits in 2011. Nearly 84 percent of visits were from Canada, 8 percent were from the US, and the remaining 8 percent were from dozens of other countries all over the world.

Our Facebook presence is growing. By year-end the MLI page had over 650 "likes" potentially connecting it to a vast number of users. We also take advantage of Facebook's highly-targeted advertisements to publicize MLI events, particularly the Great Canadian Debates.

Our most successful social media venture is our Twitter feed which reached 1100 followers by the end of 2012 and was growing steadily at a rate of 10 to 20 new subscribers per week. We count among our followers many Members of Parliament, Senators, provincial politicians, print and broadcast media personalities, lobbyists, academics, and others in the think tank community.

Media

Managing Director Brian Lee Crowley, Research and Editorial Coordinator Philip Cross, and MLI authors and fellows are frequent commentators in print and broadcast media. Our experts are sought out for op-eds and interviews when media want to generate a discussion. For example, Brian Crowley appeared on CTV news, was interviewed on radio and had multiple columns published about the “US fiscal cliff” late in 2012. As previously mentioned, MLI was at the forefront of the debate on foreign direct investment, particularly in the context of the CNOOC-Nexen deal. Brian Crowley and MLI’s expert Roger Robinson fielded several television and radio interviews and Brian Crowley also contributed multiple op-eds to newspapers across the country. Pipeline politics, F-35 fighter jets, the Occupy and Idle No More protests; MLI has weighed in on all these matters with timely media commentary in print, online, and often on radio and television too. MLI is becoming known for research that is balanced yet unafraid, correct but not necessarily politically correct.

An analysis of MLI’s op-ed and column placements in Canadian print media provided by Troy Media shows that we more than doubled our media reach in 2012 as compared to 2011. The number of items generated by MLI columnists was 334 for a total circulation of nearly 58.5 million readers and an ad value of over \$1.6 million. Our results stack up very favourably against those of other public policy think tanks.

Brian Lee Crowley was a regular monthly contributor to *The Hill Times* in 2012 as well as a fortnightly contributor to *The Ottawa Citizen*, *Calgary Herald*, and *Vancouver Sun*. His regular columns were often picked up for publication by other newspapers as well, to the point that by the end of 2012 his column was appearing regularly in all Postmedia’s dozen major urban dailies across the country. Dr. Crowley wrote on many topics of concern to Canadians including trade with China, Senate reform, climate policy, Quebec politics, natural resource development, and the US fiscal crisis to name but a few.

Philip Cross began publishing his special contributions to the *National Post* with a Macdonald-Laurier Institute byline in August 2012. In October 2012, his MLI Leading Indicator was launched and quickly became the new go-to source on how Canada’s economic performance is trending.

MLI’s work has been quoted and highlighted hundreds of times in North American newspapers including the *Globe and Mail*, the *National Post*, the *Wall Street Journal*, and *The Washington Post* on Canadian and US policy issues. We also have a strong presence online with frequent mentions in news websites such as *iPolitics* and *The Huffington Post*.

Earned media hits, as tracked by Infomart media monitoring, numbered over 700 with circulation of 76.8 million and ad value in excess of \$2.5 million. Of these, 22.5 percent appeared in the national media (print, online, and wires), 33.1 percent were in Ontario, 14.7 percent in British Columbia, 9.4 percent in Alberta, and 9.4 percent in Quebec. All other provinces combined for 10.8 percent of our earned media.

Brian Lee Crowley, Philip Cross, and MLI authors made numerous television and radio appearances in 2012. Broadcasters such as BNN, Sun News Network, TVO, CBC, CTV, and Global as well as popular radio shows including Rutherford (Alberta), Breakenridge (Alberta), Gormley (Saskatchewan), Tory (Toronto), and CBC’s *The House* (national) invited our experts to provide analysis on such topics as oil tanker traffic on Canada’s West coast, the benefits of oil and gas wealth to Canadians, investment in the natural resource sector by state-owned enterprises, the provinces’ long-term risk of debt default, agricultural supply management, immigration policy, and health care reform.

BUILDING OUR TEAM

With ideas and their communication at the forefront of all we do at MLI, we continued to attract new creative faces to MLI. New members to the MLI team in 2012 were:

Philip Cross, our Research and Editorial Coordinator, joined the team in July. A former Chief Economic Analyst at Statistics Canada, Philip's arrival had an immediate impact through his special contributions to the *National Post*, as well as his MLI *Leading Economic Indicator*, launched in October, which quickly became a go-to source on how Canada's economic performance is trending.

Paul Romer, Senior Fellow in Urbanization and Economic Development, is a Professor of Economics and the Director of the Urbanization Project at the New York University Stern School of Business. Romer founded Charter Cities, a non-profit focused on policies at the intersection of governance, urbanization, and development.

Linda Nazareth, Senior Fellow in Economics and Population Change, is an economist, author, blogger, broadcaster, and speaker. As the Principal of Relentless Economics Inc., she also provides specialized economics research and consultancy services to companies, non-profit organizations, and governments. For over a decade, Linda was the Senior Economic Analyst for Business News Network (BNN) and Canada's only full-time on-air economist.

Ken Coates, Senior Fellow in Aboriginal and Northern Canadian Issues, is the Canada Research Chair in Regional Innovation in the Johnson-Shoyama Graduate School of Public Policy at the University of Saskatchewan. He has served at universities across Canada and at the University of Waikato (New Zealand), an institution known internationally for its work on Indigenous affairs. He has also worked as a consultant for Indigenous groups and governments in Canada, New Zealand, and Australia as well as for the United Nations, companies, and think tanks.

PLAUDITS

At the 2012 Atlas Liberty Forum held in New York City in October, MLI received the Templeton Freedom Award for special achievement by a young institute. The Atlas Economic Research Foundation presents this award, which includes a \$10,000 prize, to recognize outstanding performance by an institute that is less than five years old. MLI was the only Canadian think tank recognized by the international prize program in any category in 2012, and one of only two young institutes worldwide named for outstanding achievement.

The University of Pennsylvania's comprehensive 2012 Global Go-To Think Tanks Report, released in January 2013, ranked MLI one of the top 3 new think tanks in the world, moving MLI up from number 5 in their 2011 report and up from the 20th place ranking that we achieved after only 6 months of operation in 2010.

For the second straight year, in January 2013, MLI Managing Director Brian Lee Crowley was named to The *Hill Times* list of the 100 most influential people in Ottawa; a sure sign that decision makers are listening to MLI.

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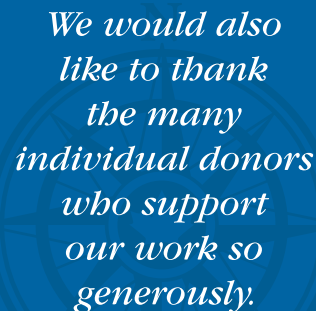
Our Institute would not exist without the financial support of foundations, corporations, and individuals who think, as we do, that we need better public policy in Canada. We would like to thank the following for their very generous support.

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like to thank
the many
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our work so
generously.*



Independent auditor's report

To the directors of
Macdonald-Laurier Institute

We have audited the accompanying financial statements of Macdonald-Laurier Institute, which comprise the balance sheet as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of revenue and expenditures, changes in general fund equity and cash flows for the years ended December 31, 2012 and December 31, 2011, 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.

Auditor's 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 the auditor's 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 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 Macdonald-Laurier Institute as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Canada
April 22, 2013

A handwritten signature in black ink that reads "Grant Thornton LLP".

Chartered Accountants

Macdonald-Laurier Institute
Statement of revenue and expenditures

Year ended December 31	2012	2011
Revenue		
Donations		
Foundations	\$ 512,080	\$ 459,419
Corporate	214,867	170,667
Individual	10,206	92,788
In-kind and travel recoveries	39,312	13,159
Event registration and sponsorship	104,230	48,653
Publication - Inside Policy	37,086	-
Publication sales	3,898	5,426
Interest	1,589	1,243
	923,268	791,355
Expenditures		
Accounting and legal	15,947	26,032
Advertising and promotions	25,422	9,045
Bank charges	2,975	1,901
Contract fees	476,844	232,818
Editing and design	85,923	24,524
Event speaker fees, catering, supplies and promotion	135,684	35,452
Insurance	4,112	3,835
Office supplies	21,117	15,630
Printing	38,819	10,665
Publications	-	6,004
Research, writing, translation and reader fees	139,006	77,733
Rent	29,127	30,712
Salaries and benefits	253,647	301,124
Travel and accommodations	52,661	29,352
Video services	2,528	12,816
Web-site	359	8,626
	1,284,171	826,269
Expenditures over revenue	\$ (360,903)	\$ (34,914)

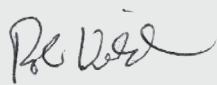
See accompanying notes to the financial statements

Macdonald-Laurier Institute

Balance sheet

December 31	December 31 2012	December 31 2012	January 1 2011
			(note 3)
Assets			
Current			
Cash and cash equivalents	\$ 306,472	\$ 646,968	\$ 658,267
Accounts receivable	142,410	80,766	15,207
HST receivable	55,581	58,482	26,477
Prepaid expenses	12,511	<u>12,958</u>	<u>6,029</u>
		-	
	\$ 516,974	\$ 799,174	\$ 705,980
Liabilities			
Current			
Payables and accruals	\$ 39,206	\$ 20,817	\$ 26,814
Deferred revenue	<u>284,434</u>	<u>224,120</u>	<u>\$ 90,015</u>
	323,640	244,937	116,829
Fund balance			
General fund equity	193,334	554,237	<u>589,151</u>
	4,112	3,835	
	<u>\$ 516,974</u>	<u>\$ 799,174</u>	<u>\$ 705,980</u>

On behalf of the Directors



Director



Director

See accompanying notes to the financial statements

Macdonald-Laurier Institute
Statement of changes in general fund equity

Year ended December 31	2012	2011
General fund equity, beginning of year	\$ 554,237	\$ 589,151
Excess of (expenditures over revenue) revenue over expenditures	(360,903)	(34,914)
General fund equity, end of year	\$ 193,334	\$ 554,237

Macdonald-Laurier Institute
Statement of cash flows

Year ended December 31	2012	2011
Decrease in cash and cash equivalents		
Operating		
Excess of expenditures over revenue	\$ (360,903)	\$ (34,914)
	(360,903)	(34,914)
Change in non-cash operating working capital		
Accounts receivable	(61,644)	(65,559)
HST receivable	2,901	(32,005)
Prepaid expenses	447	(6,929)
Payables and accruals	18,389	(5,997)
Deferred revenue	60,314	<u>134,105</u>
Net decrease in cash and cash equivalents	(340,496)	(11,299)
Cash and cash equivalents, beginning of year	646,968	658,267
End of year	\$ 306,472	\$ 646,968

See accompanying notes to the financial statements

Macdonald-Laurier Institute

Notes to the financial statements

1. General

The Institute was incorporated as a non-profit corporation under Part II of the Canada Corporation's Act on March 12, 2007. The Institute was also granted registered charity status effective January 1, 2008.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant policies are detailed as followed:

a) Revenue recognition

The Institute follows the deferral method of accounting for donations. Restricted donations are recognized as revenue in the year in which the related expenses occur. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Deferred revenue

Deferred revenue consists of that portion of unspent restricted donations as outlined in the revenue recognition policy above.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

d) Use of estimates

The preparation of the financial statements in conformity with ASNPO requires the Institute's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Certain of these estimates require subjective judgments by management that may be uncertain. Actual results could differ from those reported.

e) Financial instruments

The Institute considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in limited circumstances. All financial instruments are measured at fair value when issued or acquired, net of related transaction costs.

The Institute has classified its financial instruments as follows:

- Cash and cash equivalents and accounts receivable
- Payables and accruals
- Loans and receivables
- Other financial liabilities

At each reporting date, the Institute measures its financial assets and liabilities in accordance with their initial classification. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

Unless otherwise noted, it is management's opinion that the Institute is not exposed to significant interest, currency or credit risks arising from financial instruments.

Macdonald-Laurier Institute

Notes to the financial statements

3. First-time adoption

These financial statements are the Institute's first financial statements prepared using ASNPO. The date of transition to ASNPO is January 1, 2011. The accounting policies presented in note 2 to the financial statements were used to prepare the financial statements for the year ended December 31, 2012, the comparative information and the opening statement of balance sheet as at the date of transition.

Impact of transition on net assets as at January 1, 2011

The impact of the transition to the new accounting standards on the Institute's net assets at January 1, 2011, the date of transition, is nil.

Reconciliation of excess of expenditures over revenue as at December 31, 2011

The excess of revenues over expenses as at December 31, 2011 determined using the new accounting standards is equivalent to that determined using the previous accounting standards (pre-changeover accounting standards).

Statement of cash flows

Accounting standards regarding cash flows included in the new accounting standards are similar to those included in the previous accounting standards. The Institute has not made any adjustment to the statement of cash flows.

Exceptions relating to first-time adoption

Section 1501 *First-time adoption by not-for-profit organizations*, contains exemptions to full retrospective application which the Institute may use upon transition. The Institute did not apply any optional exemptions.

4. Commitments

The Institute has entered into a one year lease for office space in Ottawa, Ontario. The term commences on May 1, 2012 and ends April 30, 2013. The total rent including HST is \$2,590 per month.

5. Related party transactions

A company owned by a director has been contracted to provide services to the Institute. For the period from November 1, 2011 to October 31, 2012 the monthly retainer is \$23,420, from November 1, 2012 to October 31, 2013 the monthly retainer is \$23,888 and from November 1, 2013 to October 31, 2014 the monthly retainer is \$24,605, plus applicable taxes.

The total fees for the year paid to the director's company is \$284,024 (2011 – \$156,419).

About the Macdonald-Laurier Institute

What Do We Do?

When you change how people think, you change what they want and how they act. That is why thought leadership is essential in every field. At MLI, we strip away the complexity that makes policy issues unintelligible and present them in a way that leads to action, to better quality policy decisions, to more effective government, and to a more focused pursuit of the national interest of all Canadians. MLI is the only non-partisan, independent national public policy think tank based in Ottawa that focuses on the full range of issues that fall under the jurisdiction of the federal government.

What Is in a Name?

The Macdonald-Laurier Institute exists not merely to burnish the splendid legacy of two towering figures in Canadian history – Sir John A. Macdonald and Sir Wilfrid Laurier – but to renew that legacy. A Tory and a Grit, an English speaker and a French speaker – these two men represent the very best of Canada’s fine political tradition. As prime minister, each championed the values that led to Canada assuming her place as one of the world’s leading democracies.

We will continue to vigorously uphold these values, the cornerstones of our nation.



Working for a Better Canada

Good policy doesn’t just happen; it requires good ideas, hard work, and being in the right place at the right time. In other words, it requires MLI. We pride ourselves on independence, and accept no funding from the government for our research. If you value our work and if you believe in the possibility of a better Canada, consider making a tax-deductible donation. The Macdonald-Laurier Institute is a registered charity.

Our Issues

The Institute undertakes an impressive programme of thought leadership on public policy. Some of the issues we have tackled recently include:

- Aboriginal people and the management of our natural resources;
- Getting the most out of our petroleum resources;
- Ensuring students have the skills employers need;
- Controlling government debt at all levels;
- The vulnerability of Canada’s critical infrastructure;
- Ottawa’s regulation of foreign investment; and
- How to fix Canadian health care.



MACDONALD-LAURIER INSTITUTE

True North in Canadian Public Policy

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