



MACDONALD-LAURIER INSTITUTE | *True North in Canadian Public Policy*

ANNUAL REPORT 2013



ABOUT THE MACDONALD-LAURIER INSTITUTE

Ideas change the world. Independent and non-partisan, the Macdonald-Laurier Institute is increasingly recognized as the thought leader on national issues in Canada, prodding governments, opinion leaders and the general public to accept nothing but the very best public policy solutions for the challenges Canada faces.

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LETTER FROM THE CHAIR AND MANAGING DIRECTOR

Dear Friends and Supporters,

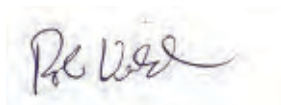
The Macdonald-Laurier Institute is founded on the belief that ideas matter, that Canada requires thoughtful and research-based policy, and that the engagement of the public in extended debates about major national issues is fundamental to the future of democracy and governance in Canada. Now, four years into our mission, we have an impressive body of work behind us to show that we have filled a gap in Canada's democratic infrastructure by focusing on the full range of issues that fall under Ottawa's jurisdiction.

Still a young institute, MLI is an important player in a Canadian think-tank community that is rising in importance in the public policy sphere. *Forbes'* contributing writer Alejandro Chaufen identified the trend in an August 2013 post entitled "We See Thee Rise: Canada's Emerging Role In Policy Leadership," where he singled out MLI for praise: "Brian Lee Crowley founded the Ottawa-based Macdonald-Laurier Institute in 2010. It ranked third in the world in the category of best young institute.¹ As it hit the ground running with great policy products, it also managed to rank ahead of other older think tanks."

We accomplished much important work in 2013 touching on many areas such as health care, national security, justice and the economy. However, one project stands out from the rest as a signature initiative of the Institute not only in 2013, but for several years to come. It is our multi-faceted project on Aboriginal Canada and the Natural Resource Economy. Launched mid-year with the release of two ground-breaking research papers, this project was also the subject of numerous meetings, speaking engagements, media appearances, op-eds and work behind the scenes in preparation for its next phase. MLI has taken up the mantle as a trusted, neutral party independent of governments, companies and Aboriginal organizations to help push forward the search for understandings that will unlock Canada's natural resource potential.

The Macdonald-Laurier Institute makes a difference. It is driven by an infectious belief in Canada and motivated by the realization of the fundamental importance of evidence-based public policy. At the same time, it is practical, offering pragmatic and constructive solutions to the most pressing issues facing the country. We extend our heartfelt appreciation to the generous funders, dedicated staff and exceptional volunteers of the Board of Directors, Research Advisory Board and Advisory Council who make it possible for MLI's important work to continue.

Sincerely,



Rob Wildeboer

CHAIR,
MACDONALD-LAURIER INSTITUTE



Brian Lee Crowley

MANAGING DIRECTOR,
MACDONALD-LAURIER INSTITUTE

¹ 2013 Global Go To Think Tank Index Report published by the Think Tanks and Civil Societies Program at the University of Pennsylvania

PUBLICATIONS

High quality publications are a trademark of The Macdonald-Laurier Institute (MLI). Our in-depth study papers, articulate commentaries, and enlightening Q&As offer thoughtful policy recommendations based on non-partisan and independent research. At MLI, we present policy issues 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.

ABORIGINAL CANADA AND THE NATURAL RESOURCE ECONOMY



In May, MLI launched a nation-building initiative focused on Aboriginal engagement in the development of Canada's natural resources. This is a multi-year program designed to draw the nation's attention to the promise and challenges of facilitating Aboriginal engagement with the natural resource economy, with the

ultimate objective of finding mutually acceptable ways to end the uncertainty hovering over that economy. Engaging in a robust process of thought leadership, the Macdonald-Laurier Institute is outlining for the country the nature of the current situation and offering dramatic and carefully constructed solutions.

The first two papers published in relation to this project were *New Beginnings: How Canada's Natural Resource Wealth Could Re-shape Relations with Aboriginal People* (Ken Coates and Brian Lee Crowley), and *Canada and the First Nations: Cooperation or Conflict?* (Douglas Bland). These reports were effective at setting the scene and they continue to shape the national dialogue on the question of Aboriginal participation in natural resource development. Former Prime Minister Paul Martin, whose commitment to Aboriginal economic development is well known, wrote of these reports: "The study by Brian Lee Crowley and Ken Coates is a 'home run'. The analysis by Douglas Bland will make many uncomfortable but it is a wake-up call that must be read."

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FORMER PRIME MINISTER PAUL MARTIN

These papers were followed closely by *The Way Out: New Thinking About Aboriginal Engagement and Energy Infrastructure to the West Coast* (Coates and Crowley), which challenged government and corporate participants to involve First Nations in the planning and development process and outlined the importance of Aboriginal people holding equity positions in major infrastructure projects.

All three papers garnered significant media coverage across the country and over all mediums: print, online and broadcast. They also established project leaders Brian Lee Crowley and Ken Coates as highly sought after commentators on these issues at speaking engagements at national conferences, and in the national news media and opinion pages.

ECONOMY AND PROSPERITY



In his study, *Dutch Disease, Canadian Cure: How Manufacturers Adapted to the High Dollar*, MLI Senior Fellow Philip Cross found that reports of the Canadian manufacturing sector's impending death are greatly exaggerated. After 10 years of a muscular dollar, Canadian manufacturers have adapted well to a strong currency – demonstrating that Dutch Disease is economic myth rather than reality. Columns highlighting the report were published in newspapers and online news outlets across the country, including *The Globe and Mail*, Postmedia newspapers, *The Wall Street Journal's Canada Real Time*, *CBC News*, *Global News*, *La Presse*, *The Huffington Post Canada*, and *iPolitics*. In addition, Cross appeared on CBC's *Lang and O'Leary Exchange* and on CBC Radio to discuss his findings.

Columns highlighting the report were published in newspapers and online news outlets across the country, including *The Globe and Mail*, Postmedia newspapers, *The Wall Street Journal's Canada Real Time*, *CBC News*, *Global News*, *La Presse*, *The Huffington Post Canada*, and *iPolitics*.

Another myth-busting paper by Philip Cross entitled *Six Myths Surrounding the Development of Canada's Natural Resources* put to rest the image of natural resources in Canada as an economic curse that has stifled overall growth by weakening institutions, distorting the economy and depressing investment in physical and human capital. Under closer scrutiny, it is evident that, over the long term, incomes in Canada have benefited from higher terms of trade driven by commodities and extracting wealth from natural resources has been pivotal to long-term growth in Canada, which has the largest resource sector among the G7 nations.

Equalization Reform: Promoting Equity and Wise Stewardship, a study by Brian Lee Crowley and Robert P. Murphy, showed that Canada's equalization program suffers from widespread misunderstanding about the shared benefits of resource wealth, and encourages provinces to spend foolishly. The authors call for changes to the treatment of non-renewable natural resource royalty revenues in the equalization program, which comes up for renewal in 2014.

As advocates push for new regulations for payment networks, MLI produced a timely report entitled *Credit where it's due: How payment cards benefit Canadian merchants and consumers, and how regulation can harm them*. After examining the effect of various policy interventions on payment systems around the world, authors Geoffrey Manne, Julian Morris, Todd Zywicki and Ian Lee argue that new regulations risk doing more harm than good to consumers and small businesses.

PHARMACEUTICAL AND HEALTH CARE POLICY



We added to our *Pills, Patents and Profits* series on pharmaceutical policy with a paper entitled *Strong Medicine: Can Free Trade Agreements Cure Canada's Pharmaceutical Ills?* by Stefania Bartucci and Laura Dawson. This paper looks at how Canada can formulate a response to pressure from international trading partners to update its intellectual property regime, highlights the key factors that must be taken into account, and makes recommendations.

January marked the launch of *Medicare's Midlife Crisis*, a continuation of our *Turning Point 2014* series where we addressed issues surrounding the end of the current Canada Health Transfer. The first paper in the series, *Health Care Reform from the Cradle of Medicare* by Janice MacKinnon proposes new funding and service delivery models for public health care and reports on the impact of the use of private clinics in Saskatchewan. Many media outlets reported on MacKinnon's paper including *CTV*, *Global*, *CBC News*, *Sun News Network*, *The Globe and Mail*, *The Winnipeg Free Press*, *The Huffington Post* and *iPolitics*.

In the series' second paper, *Debunking the Myths: A Broader Perspective of the Canada Health Act*, renowned lawyer Michael Watts exposed those defenders of the status quo in healthcare who use misconceptions about the *Canada Health Act* to stifle innovative thinking and thoughtful discussion on health care system reform. He clearly lays out what the *Act* does and does not allow and reveals that there is little that restricts provinces from experimenting with such things as user fees and private clinics. Watts also contributed an op-ed based on his study to the *National Post*.

A European Flavour for Medicare: Learning from experiments in Switzerland and Sweden by Mattias Lundbäck, part of the same series, compares Canada's health care system with those of Sweden and Switzerland, two countries firmly in the middle of the spectrum of public/private involvement which rank high internationally in delivering results. It also includes a compelling example of how Britain's Labour Party sold the British people on much-needed reforms to that country's socialized medical system.

MLI authors have been invited to contribute articles to the opinion pages of both national and leading local newspapers and they have been interviewed on television and radio. We have also attracted the attention of health care organizations with invitations to speak at industry events.

Our healthcare work has generated considerable buzz. MLI authors have been invited to contribute articles to the opinion pages of both national and leading local newspapers and they have been interviewed on television and radio. We have also attracted the attention of health care organizations with invitations to speak at industry events. Much more work in this critical focus area is planned for 2014, including the release of videos to complement the above-mentioned studies.

NATIONAL SECURITY



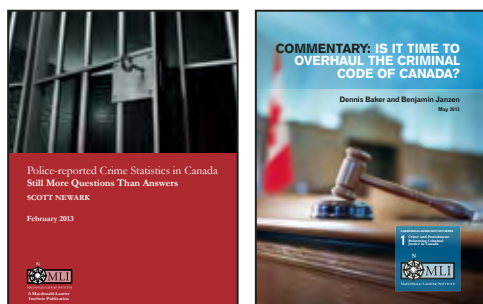
Border Integrity, Illicit Tobacco, and Canada's Security by Jean Daudelin, part of MLI's *National Security Strategy for Canada* series, warns that far from a victimless crime or a local police problem, cross-border smuggling is an epidemic that renders both Canada and the United States vulnerable to external security threats. Smugglers threaten the safety and integrity of local populations, as well as the viability of future Canada-U.S. economic and security co-operation along the border.

Commenting on initiatives stemming from the “Beyond the Border” declaration issued by Prime Minister Harper and President Obama in 2011, Todd Hataley and Christian Leuprecht’s paper *Organized Crime Beyond the Border* identifies the weaknesses in this “layered approach” to border security. Rather than discouraging organized crime groups from crossing the Canada–US border, the authors warn that the streamlining processes in “Beyond the Border” may actually abet intra-continental organized crime.

A special six-part edition of *Straight Talk* featured interviews with Scott Newark on immigration and national security. With a straightforward Q&A approach, Newark examined the biggest issues affecting Canadian immigration such as our screening and removal processes and the physical border. He also provided an assessment of immigration reforms enacted in Bills C-31 and C-45. The first installment of the series was reprinted in *Vanguard* magazine.

Internationally-recognized global security expert Roger W. Robinson Jr. authored two important MLI commentaries. *Standing on guard post-Nexen: Chinese state-owned enterprise and national security in Canada* highlighted the security-related implications of Chinese SOEs, particularly as demonstrated by the Nexen deal, and recommended effective risk-assessment criteria for future deals. *China’s “Long Con” in the Arctic*, a revelatory commentary of vital national interest, laid out China’s long-term plan to push its agenda on weaker Arctic players and to gain the confidence of Canada and the United States. Robinson warns that China has put on a friendly face in order to position itself to control or exploit energy, mineral and fishing resources, and the strategic waterways now gradually opening due to melting ice.

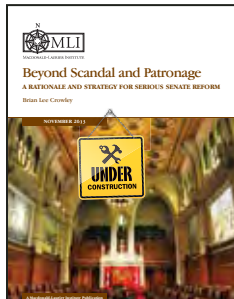
JUSTICE



Scott Newark continued his ground-breaking work on the reporting of crime statistics in Canada with a follow-up to his 2011 MLI study. In *Police-reported Crime Statistics in Canada: Still More Questions Than Answers*, Newark highlights the flaws in the methodology of the annual Juristat report, and shows that it creates an incomplete portrayal of crime in Canada. He offers insights into how and why the gathering, analysis and reporting of crime statistics in Canada should be modernized. The study propelled this

issue back into the spotlight at a time when the government was keen to tout the effectiveness of its “tough on crime” agenda.

An MLI commentary by Dennis Baker and Benjamin Janzen of the University of Guelph asked *Is it Time to Overhaul the Criminal Code of Canada?* The authors assert that a 2012 Justice Department study minimizing the need for reform was flawed, and systematically underestimated the prevalence of obsolete or outdated offences. They recommend a more rigorous review of the Code including the number of convictions as an additional measure of usefulness to complement the statistics on raw charges.



POLITICAL TRADITION

As the Senate of Canada was dominating the headlines for all the wrong reasons, MLI examined the deeper issue with Brian Lee Crowley's paper, *Beyond scandal and patronage: A rationale and strategy for serious Senate reform*. Shenanigans aside, the Senate is terribly ineffective in playing its crucial role within our larger constitutional edifice. Crowley's paper laid out in detail why Canada needs a Senate, why reform is necessary, and how it can be accomplished. Injecting some much-needed seriousness into the national

discussion about the Senate, Postmedia reported on the MLI study and Crowley op-eds on the topic ran in *The Ottawa Citizen* and other Postmedia papers on November 11 and November 24.

INSIDE POLICY



1) James Anderson, Editor of *Inside Policy*, and Brian Lee Crowley with The Hon. John Baird, the magazine's "Policy Maker of the Year"

In its first full year of publication, *Inside Policy* magazine covered an impressive array of topics with editorial contributions from a who's who of public policy experts. Included in our stable of contributing writers are Thomas Axworthy, Derek Burney, Carlo Dade, Don Drummond, Stanley Hartt, Steven Langdon, Ian Lee, Janice MacKinnon, Colin Robertson, and Robin Sears as well as Members of Parliament Carolyn Bennett, Scott Brison, Julian Fantino, Ted Menzies and Peggy Nash.

Published bi-monthly, and distributed to Parliamentarians, senior government officials, and business leaders, the magazine highlights the findings of MLI's study papers and other publications and offers original content inspired by current events and prevailing public policy concerns.



LEADING ECONOMIC INDICATOR

The *MLI Leading Indicator*, created by Philip Cross and launched in the fourth quarter of 2012, quickly became a go-to source of information on trends in the economy. 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. News outlets such as *Reuters*, and *Bloomberg BusinessWeek* regularly reported on the *MLI Leading Indicator* each month.

EVENTS

MLI carried out a busy event schedule in 2013 comprising both outreach activities that showcase the Institute and conferences that augment our research program. Events in Toronto, Montreal, Edmonton and Calgary were a clear indication of the importance to MLI of having a presence outside of the capital.

THE 3RD ANNUAL MACDONALD-LAURIER SOIRÉE, FEBRUARY 13, OTTAWA

Already a fixture on the social calendars of Ottawa's political class, MLI's annual celebration of Canada's flag and greatest Prime Ministers was a sell-out attended by ministers, MPs, senators and senior figures from business, the civil service and the media. Guest speakers The Honourable Jason Kenney and Green Party Leader Elizabeth May regaled the crowd with some wonderful stories about their favourite prime ministers, John George Diefenbaker and Sir John A. Macdonald respectively.

BREAKFAST SPEAKER SVEN OTTO LITTORIN: SWEDISH HEALTH CARE: A MODEL FOR CANADA? MARCH 22, OTTAWA

MLI assembled a group of thought leaders in the health care field from government and industry for an intimate breakfast with former Swedish cabinet minister Sven Littorin. In his talk, now part of MLI's video archives, Mr. Littorin put the debate over health care in the wider context of what people can and should expect from the welfare state in the 21st century.

GREAT CANADIAN DEBATES, MARCH 21, MAY 9, JUNE 20, OCTOBER 24 AND NOVEMBER 26, OTTAWA

A favourite activity whereby the Institute engages directly with politically minded people from all walks of life, the Great Canadian Debates covered a range of juicy topics in 2013: Michael Bliss and John Duffy debated the resolution "The Liberal Party has no future in Canadian politics," Armine Yalnizyan and William Watson debated "Wealth has too much power in Canada," Stéphane Dion and Daniel Turp debated "The Government of Quebec can decide unilaterally on secession from Canada," Ted Morton and Andrew Nikiforuk debated "President Obama should welcome Canada's ethical oil" and Tom Flanagan and Jim Stanford closed out the year with their debate on the resolution "The right to strike has no place in the public sector." Support from our media sponsors allowed us to leverage these events with print media opinion pieces and nationwide broadcasts of the debates on CPAC.

CONFERENCE: CROSS-BORDER CONTRABAND AND CANADA-US BORDER INTEGRITY, MARCH 26, OTTAWA

A group of people involved in every aspect of managing the Canada-US border participated in MLI's closed-door, off-the-record conference about the threats to security on both sides of the border posed by the confluence of organized crime, Aboriginal self-government and weak enforcement along the "401 Corridor." Jean Daudelin presented his MLI paper on the movement of tobacco, narcotics, weapons and people through cross-border "pipelines" in the region. His presentation was followed by two panel



1) 4th Annual Macdonald-Laurier Soirée 2) Taking questions from the audience at the Great Canadian Debates
3) Björn Lomborg with Brian Lee Crowley and MLI Chairman Rob Wildeboer 4) Debaters Tom Flanagan and Jim Stanford prepare to square off 5) Press conference with Ken Coates, Brian Lee Crowley, and Doug Bland 6) Derek Burney at MLI's celebration of the 25th anniversary of the Free Trade election

discussions from specialists in cross-border law enforcement, Aboriginal issues, and Canada-US border issues. Chatham House rules and no media ensured a frank dialogue among participants on potential Canada-US policy and operational solutions to stem the flow of contraband goods.

PRESS CONFERENCE: ABORIGINAL CANADA AND THE NATURAL RESOURCE ECONOMY, MAY 1, OTTAWA

MLI's signature project on Aboriginal Canada and the Natural Resource Economy was launched with a press conference and the release of two major papers. Project leaders Brian Crowley and Ken Coates and MLI author Doug Bland delivered remarks and answered media questions on both the new publications and the entire initiative. Ovide Mercredi, who is MLI's official liaison to the AFN for this project, was also on hand. Major television and print media outlets were well represented at the press conference and soon took to the opinion pages and airwaves with stories about the two papers.

CONVERSATION WITH BJÖRN LOMBORG: GLOBAL PROBLEMS, SMART SOLUTIONS, JUNE 6, MONTREAL

In partnership with the Bon Mot Book Club, MLI hosted a dinner at Montreal's Ritz Carleton Hotel featuring Dr. Björn Lomborg, author of the best-selling book, "The Skeptical Environmentalist" and director of the Copenhagen Consensus Center. Lomborg, repeatedly named one of *Foreign Policy's* "Top 100 Global Thinkers," is renowned for challenging mainstream concerns about the environment and arguing that we need to focus attention on the smartest solutions first. His compelling and enlightening interactive presentation did not disappoint the Montreal crowd.

ROUNDTABLES: IS REFINING MORE OIL IN CANADA THE BEST WAY TO MAXIMIZE THE BENEFIT OF OUR PETROLEUM RESOURCE ENDOWMENT?, OCTOBER 17, TORONTO AND NOVEMBER 21, EDMONTON

Leaders from industry, government, labour, and academia gathered to discuss the challenges and opportunities in the refining sector, and to better understand how Canada can get the best value from its natural resources. In preparation for the event, Philip Cross wrote a commentary entitled *Extracting the Most Value from Canada's Petroleum* which was circulated to participants in advance and later released as an MLI publication. These events were sponsored by the Canadian Fuels Association.

FUNDRAISING DINNER: CELEBRATING THE 25TH ANNIVERSARY OF THE FREE TRADE ELECTION WITH DEREK BURNEY AND JAMES BAKER III, NOVEMBER 21, CALGARY

The two key negotiators of the Canada-US free trade deal, Derek Burney, former Chief of Staff to Prime Minister Brian Mulroney and James Baker III, former US Secretary of State engaged in a lively discussion moderated by Licia Corbella, editorial page editor of the *Calgary Herald*. The business and political community of Western Canada were treated to a remarkable behind-the-scenes account of this historic achievement which gave rise to a new era of prosperity and continental cooperation. The discussion was captured in an installment of MLI's *Straight Talk* interview series.



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7) Debater Ted Morton and moderator Peter Milliken at the Great Canadian Debates

8) Ovide Mercredi with Brian Lee Crowley at the launch of MLI's project on Aboriginal Canada and the natural resource economy

IMPACT ON PUBLIC POLICY

The Institute's work is highly respected in the corridors of power. Briefings with senior government officials and politicians are commonplace. People are listening, as the following examples illustrate:

- The report of the Northern Gateway Project Joint Review Panel released in December, 2013 makes many recommendations that had been previously made in Macdonald-Laurier Institute papers, commentaries and articles, and in MLI's consultations with the panel. The congruence between the Joint Review Panel report and MLI's Northern Gateway report, titled *The Way Out: New thinking about Aboriginal Engagement and Energy Infrastructure to the West Coast* is an estimated 80 per cent, and there was no significant contradiction of MLI's recommendations.
- Following the publication of MLI's Northern Gateway paper, Coates and Crowley were approached by Doug Eyford and his staff to discuss MLI's recommendations. The final Eyford report, *Forging Partnerships, Building Relationships*, parallels the MLI paper in almost all of the key respects, including the encouragement of active and extensive Aboriginal participation, a broad and comprehensive approach to project planning and the adoption of a long-term perspective on the benefits and impact of the Northern Gateway Pipeline. The MLI report anticipated (and likely helped shape) the Eyford recommendations.

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- Despite much public lobbying in favour of expanding the Canada Pension Plan, MLI Senior Fellow Philip Cross, MLI author Ian Lee and MLI Managing Director Brian Lee Crowley have been among the leaders in establishing that there is no crisis in retirement preparations by Canadians, and the time is not right for imposing another tax on business. In December, Finance Minister Jim Flaherty announced that the federal government would not be pursuing an expanded CPP program.
- Statistics Canada continues to refine how it reports crime statistics in response to the work MLI has done in this area that revealed under reporting of certain crimes. Following the 2013 publication of Scott Newark's study, *Police Reported Crime Statistics in Canada: Still More Questions Than Answers*, understanding of the issue has also increased among the media, with more skeptical treatment greeting assumptions about falling crime rates.
- Bill C-24, tabled in early 2014 to amend the *Citizenship Act*, would allow citizenship to be revoked from dual nationals who commit terrorist acts and prevent permanent residents who do so from applying for citizenship. This measure was advocated by MLI author Scott Newark, who said in a December 2012 publication that to respond to those who would threaten Canadian security and culture, Canada must "deny entry to and revoke acquired citizenship for persons who are actively promoting the eradication of our culture, even if it's cloaked as 'religion'".

- MLI has previously demonstrated the value of the Atlantic Integrated Commercial Fishery Initiative (AICFI). In February, 2012, MLI published a paper by Professor Jacquelyn Thayer Scott titled *An Atlantic Fishing Tale: 1999-2011* which concluded that the AICFI “represents a unique and successful program for Aboriginal management of natural resources, specifically in program implementation, conception, and delivery”. And in November 2013, MLI Managing Director Brian Lee Crowley wrote in *The Globe and Mail* that the program serves as a model for resolving conflicts with First Nations People. The 2014 budget announced “\$66.1 million over two years to renew the Atlantic Integrated Commercial Fisheries Initiative and the Pacific Integrated Commercial Fisheries Initiative” which, the document noted, “support First Nation participation in decision-making processes to ensure they are directly involved in the responsible management of commercial fisheries.”

MEDIA

MLI’s voice was heard on a wide variety of issues of national concern throughout the year. Our studies made waves in the media and MLI Managing Director Brian Lee Crowley was a prolific columnist and frequent news program guest as were several MLI Senior Fellows, notably Philip Cross, Ken Coates, Linda Nazareth and Alex Wilner. MLI was present on the opinion pages of newspapers across the country hundreds of times representing a potential audience in the millions.

An analysis of MLI references in the media² shows 34% more mentions in 2013 than in 2012. We attracted more attention in national news outlets in particular with over 300 earned media hits, which represent an estimated circulation of 20.9 million. Our op-ed placements were up by 45% with a total of 484 items published in print and online and an estimated reach of more than 50 million. Again, the biggest growth was in national outlets where we increased our reach from 6 million in 2012 to 14.8 million in 2013.

The year began with the Idle No More movement in full swing and MLI’s Crowley and Coates made numerous media appearances to comment on the protests. Their expertise in Aboriginal issues is now well-recognized. Columns later in the year drew on themes from MLI’s project on Aboriginal Canada and the natural resource economy keeping MLI at the forefront of this monumentally important issue.

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² Data provided by Troy Media

Crowley's Postmedia columns covered topics such as fiscal policy, international trade, the Canada Pension Plan, Employment Insurance, Quebec politics, government-run casinos, the wisdom of building mass transit and many more. His columns in the *Globe's Report on Business Economy Lab* touched on military procurement, the federal budget, evaluating the worth of a university education, and sharing the benefits of natural resource development.

As a frequent contributor to the *Financial Post*, with his signature, no-nonsense style, Philip Cross cut to core of headline-grabbing issues. He began by completely discrediting the "Dutch Disease" theory in January, and followed up with compelling columns on the natural resource economy, employment levels, wages, government debt, and the supposed muzzling of government scientists, to name only a few.

A regular contributor to the *Globe's Report on Business Economy Lab* throughout the year, Senior Fellow Linda Nazareth frequently wrote about employment issues such as wages, productivity, worker mobility and the labour market.

Senior Fellow Alex Wilner was present in the mainstream press (BBC News, *Toronto Sun*, *The Globe and Mail*) and in specialty magazines (*Embassy*, *FrontLine Defence*) where he wrote on security and Middle-East issues including prison radicalization, Hezbollah, and ballistic missile defence.

WEBSITE AND SOCIAL MEDIA

MLI's website continues to be the cornerstone of our communications strategy. The number of visits to our website trended upwards again in 2013, topping 60,600 sessions and 42,800 users. While more than three quarters of our visitors are located in Canada and just over 10% are in the United States, the balance of our website traffic originated from countries all over the world including the United Kingdom, Germany, France, Australia, India and Japan.

To reinvigorate interest in our site for new and existing users, an exciting project began behind the scenes in 2013 as design work got underway on an app and a mobile-friendly website and a new desktop site scheduled to be unveiled in 2014.

Our social media following continues to grow. Our Facebook "likes" stood at close to 800 by year end and our Twitter followers numbered over 1500. We are continually active on these platforms as they are an ideal vehicle to promote events and MLI publications, and to highlight columns and media appearances by Brian Crowley and MLI Senior Fellows and authors.



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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, 2013 and the statements of revenue and expenditures, changes in general fund equity and cash flows for the year 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.

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, 2013, and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

Halifax, Canada
May 22, 2014

A stylized, handwritten-style signature of "Grant Thornton LLP" in black ink.

Chartered Accountants

Macdonald-Laurier Institute

Statement of revenue and expenditures

Year ended December 31	2013	2012
Revenue		
Donations		
Foundations	\$ 590,403	\$ 512,080
Corporate	284,263	214,867
Individual	10,940	10,206
In-kind and travel recoveries	26,916	39,312
Event registration and sponsorship	99,185	104,230
Publication - Inside Policy	39,943	37,086
Publication sales	1,848	3,898
Interest	<u>868</u>	<u>1,589</u>
	<u>1,054,366</u>	<u>923,268</u>
Expenditures		
Accounting and legal	21,513	15,947
Advertising and promotions	30,644	25,422
Bank charges	1,815	2,975
Contract fees	391,732	476,844
Editing and design	69,313	85,923
Event speaker fees, catering, supplies and promotion	133,480	135,684
Insurance	4,085	4,112
Office supplies	20,188	21,117
Printing	39,792	38,819
Research, writing, translation and reader fees	50,354	139,006
Rent	35,267	29,127
Salaries and benefits	299,341	253,647
Travel and accommodations	30,698	52,661
Video services	24,214	2,528
Web-site	<u>1,610</u>	<u>359</u>
	<u>1,154,046</u>	<u>1,284,171</u>
Expenditures over revenue	<u>\$ (99,680)</u>	<u>\$ (360,903)</u>

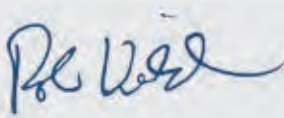
See accompanying notes to the financial statements

Macdonald-Laurier Institute

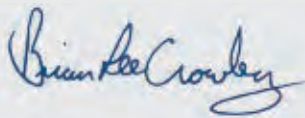
Balance sheet

December 31	2013	2012
Assets		
Current		
Cash and cash equivalents	\$ 429,079	\$ 306,472
Accounts receivable	21,212	142,410
HST receivable	56,675	55,581
Prepaid expenses	<u>13,953</u>	<u>12,511</u>
	<u>\$ 520,919</u>	<u>\$ 516,974</u>
Liabilities		
Current		
Payables and accruals	\$ 28,720	\$ 39,206
Deferred revenue	<u>398,545</u>	<u>284,434</u>
	427,265	323,640
Fund balance		
General fund equity	<u>93,654</u>	<u>193,334</u>
	<u>\$ 520,919</u>	<u>\$ 516,974</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	2013	2012
General fund equity, beginning of year	\$ 193,334	\$ 554,237
Excess of expenditures over revenue	<u>(99,680)</u>	<u>(360,903)</u>
General fund equity, end of year	<u>\$ 93,654</u>	<u>\$ 193,334</u>

Macdonald-Laurier Institute
Statement of cash flows

December 31	2013	2012
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of expenditures over revenue	\$ (99,680)	\$ (360,903)
Change in non-cash operating working capital		
Accounts receivable	121,198	(61,644)
HST receivable	(1,094)	2,901
Prepaid expenses	(1,442)	447
Payables and accruals	(10,486)	18,389
Deferred revenue	<u>114,111</u>	<u>60,314</u>
Net increase (decrease) in cash and cash equivalents	<u>122,607</u>	<u>(340,496)</u>
Cash and cash equivalents, beginning of year	<u>306,472</u>	<u>646,968</u>
End of year	<u>\$ 429,079</u>	<u>\$ 306,472</u>

See accompanying notes to the financial statements

Macdonald-Laurier Institute

Notes to the financial statements

December 31, 2013

1. GENERAL

Macdonald-Laurier Institute (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 | – Loans and receivables |
| – Payables and accruals | – Other financial liabilities |

Macdonald-Laurier Institute

Notes to the financial statements

December 31, 2013

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.

3. COMMITMENTS

The Institute has entered into a one year lease for office space in Ottawa, Ontario. The term commenced on May 1, 2013 and ends April 30, 2014. The total rent including HST is \$3,760 per month.

4. RELATED PARTY TRANSACTIONS

A company owned by a director has been contracted to provide services to the Institute. For the period 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 \$325,541 (2012 – \$284,024).





MACDONALD-LAURIER INSTITUTE

True North in Canadian Public Policy

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