

Financial Statements of

**THE CITIZENS' FOUNDATION,
CANADA**

Year ended December 31, 2009



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AUDITORS' REPORT

To the Members of The Citizens' Foundation, Canada

We have audited the balance sheet of The Citizens' Foundation, Canada as at December 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue 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, excess of revenue over expenses, current assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 5, 2010

THE CITIZENS' FOUNDATION, CANADA

Balance Sheet

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	\$ 285,216	\$ 7,323
	<u>\$ 285,216</u>	<u>\$ 7,323</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,000	\$ 8,000
Net assets:		
Unrestricted	267,216	(677)
Commitments (note 5)		
	<u>\$ 285,216</u>	<u>\$ 7,323</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

THE CITIZENS' FOUNDATION, CANADA

Statement of Operations and Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Donations:		
Individuals	\$ 658,100	\$ 128,915
Corporate	85,912	5,700
Gala ticket sales	12,280	14,000
	<u>756,292</u>	<u>148,615</u>
Expenses:		
Funds transferred to Pakistan	455,824	127,512
Gala	10,517	10,558
Professional fees	10,000	8,000
Advertising	8,645	—
Bank and interest charges	3,413	735
	<u>488,399</u>	<u>146,805</u>
Excess of revenue over expenses	267,893	1,810
Net assets, beginning of year	(677)	(2,487)
Net assets, end of year	<u>\$ 267,216</u>	<u>\$ (677)</u>

See accompanying notes to financial statements.

THE CITIZENS' FOUNDATION, CANADA

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 267,893	\$ 1,810
Change in non-cash operating working capital:		
Accounts payable and accrued liabilities	10,000	8,000
	<u>277,893</u>	<u>9,810</u>
Financing activities:		
Loan from related party	–	(3,900)
Increase in cash	277,893	5,910
Cash, beginning of year	7,323	1,413
Cash, end of year	<u>\$ 285,216</u>	<u>\$ 7,323</u>

See accompanying notes to financial statements.

THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements

Year ended December 31, 2009

The Citizens' Foundation, Canada (the "Foundation") was incorporated in Canada without share capital under the Canada Corporations Act. It is a registered charity under the provisions of Section 149(1) of the Income Tax Act (Canada) and, as such, is exempt from income taxes.

The Foundation is principally engaged in establishing schools to promote education. The Foundation receives funds from all cross sections of society for the building of primary and secondary schools, as well as for operating them. These donations are made by organizations, institutions and individuals.

The Foundation signed an agency agreement with The Citizens' Foundation, Pakistan ("TCFP") on January 20, 2009. Under the terms of the agreement, TCFP will operate schools in Pakistan on behalf of the Foundation.

1. Significant accounting policies:

(a) Revenue recognition:

The Foundation follows the deferral method of accounting. 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.

(b) Financial instruments:

The Foundation designated its cash as held for trading, which is measured at fair value.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future, actual results could differ from those estimates.

THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2009

2. Changes in accounting policies:

(a) Section 4400, Amendments for Not for Profit Accounting Standards ("Section 4400"):

Effective January 1, 2009, the Foundation adopted the amendments to The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 4400. Adoption of these recommendations had no significant impact on the financial statements for the year ended December 31, 2009.

(b) Amendments to Section 1000, Financial Statements Concepts ("Section 1000"):

Effective January 1, 2009, the Foundation adopted the amendments to CICA Handbook Section 1000. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended December 31, 2009.

3. Financial instruments:

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to relatively short periods to maturity of these financial instruments.

4. Donated goods and services:

The Foundation does not record the value of donated goods and services in these financial statements.

5. Commitments:

The Foundation operates 41 schools and directs and controls the activities of the schools through an agency agreement with TCFP. The Foundation is required to provide funding for the operation of the 41 schools to TCFP under the agency agreement. The Foundation has the right to withdraw or withhold funds or other resources at its discretion, should there be any deviation or variation in the proposed operation of the schools. The agency agreement will remain in force until termination by either party.