

Financial Statements of

**THE CITIZENS' FOUNDATION,  
CANADA**

Year ended December 31, 2011



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## INDEPENDENT AUDITORS' REPORT

To the Members of The Citizens' Foundation, Canada

### Report on the Financial Statements

We have audited the accompanying financial statements of The Citizens' Foundation, Canada, which comprise the balance sheet as at December 31, 2011, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we consider 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.



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*Basis for Qualified Opinion*

In common with many charitable organizations, The Citizens' Foundation, Canada derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of The Citizens' Foundation, Canada. Therefore, we were not able to determine whether, as at and for the years ended December 31, 2011 and 2010, any adjustments might be necessary to donations, and deficiency of revenue over expenses reported in the statements of operations and changes in net assets, deficiency of revenue over expenses reported in the statement of cash flows and current assets and net assets reported in the balance sheet. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2010.

*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 The Citizens' Foundation, Canada as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Report on Other Legal and Regulatory Requirements**

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

March 27, 2012  
Toronto, Canada

# THE CITIZENS' FOUNDATION, CANADA

## Balance Sheet

December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 13,837	\$ 37,744
Prepaid Gala expenses	8,771	7,797
	<u>\$ 22,608</u>	<u>\$ 45,541</u>

## Liabilities and Net Assets

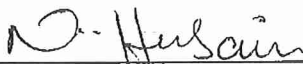
Current liabilities:		
Accounts payable and accrued liabilities	\$ 22,108	\$ 11,500
Net assets:		
Unrestricted	500	34,041
Commitments (note 4)		
	<u>\$ 22,608</u>	<u>\$ 45,541</u>

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, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Donations:		
Individuals	\$ 530,272	\$ 427,715
Corporate	453,263	278,712
Gala ticket sales	50,571	36,050
Other	1,739	—
	<u>1,035,845</u>	<u>742,477</u>
Expenses:		
Funds transferred to Pakistan	973,317	911,076
Gala	58,363	33,062
Professional fees	14,497	14,996
Other	22,210	10,011
Advertising	—	5,410
Bank and interest charges	999	1,097
	<u>1,069,386</u>	<u>975,652</u>
Deficiency of revenue over expenses	(33,541)	(233,175)
Net assets, beginning of year	34,041	267,216
Net assets, end of year	<u>\$ 500</u>	<u>\$ 34,041</u>

See accompanying notes to financial statements.

# THE CITIZENS' FOUNDATION, CANADA

## Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (33,541)	\$ (233,175)
Change in non-cash operating working capital:		
Prepaid Gala expenses	(974)	(7,797)
Accounts payable and accrued liabilities	10,608	(6,500)
Decrease in cash	(23,907)	(247,472)
Cash, beginning of year	37,744	285,216
Cash, end of year	\$ 13,837	\$ 37,744

See accompanying notes to financial statements.

# THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements

Year ended December 31, 2011

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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, which was subsequently updated on June 30, 2011. 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, 2011

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**2. 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.

**3. Donated goods and services:**

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

**4. Commitments:**

The Foundation operates 47 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 47 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.