

Financial Statements of

**THE CITIZENS' FOUNDATION,
CANADA**

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of The Citizens' Foundation, Canada

We have audited the accompanying financial statements of The Citizens' Foundation, Canada, which comprise the balance sheet as at December 31, 2015, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 not-for-profit 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, 2015 and December 31, 2014, any adjustments might be necessary to donations and excess of revenue over expenses reported in the statements of operations and changes in net assets, excess of revenue over expenses reported in the statements of cash flows and current assets and unrestricted net assets reported in the balance sheets. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2014.

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, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 13, 2016
Toronto, Canada

THE CITIZENS' FOUNDATION, CANADA

Balance Sheet

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 481,513	\$ 204,979
Prepaid expenses	5,000	5,000
Harmonized sales tax recoverable	1,110	1,110
	<u>487,623</u>	<u>211,089</u>
Investments (note 2)	4,294	431,836
	<u>\$ 491,917</u>	<u>\$ 642,925</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,843	\$ 13,843
Deferred contributions:		
Individuals	238,096	414,306
Corporate	70,829	66,092
	<u>322,768</u>	<u>494,241</u>
Net assets:		
Unrestricted	169,149	148,684
Commitments (note 3)		
	<u>\$ 491,917</u>	<u>\$ 642,925</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, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Donations:		
Individuals	\$ 1,566,564	\$ 944,100
Corporate	716,724	438,326
Gala ticket sales	74,605	67,425
Other	131,010	118,163
Unrealized foreign exchange gain	17,991	—
Investment	3,601	9,446
	<u>2,510,495</u>	<u>1,577,460</u>
Expenses:		
Funds transferred to Pakistan	2,334,054	1,400,091
Gala	78,058	56,386
Professional fees	17,181	20,218
Other	56,559	70,211
Advertising	2,025	5,803
Bank and interest charges	2,153	1,796
	<u>2,490,030</u>	<u>1,554,505</u>
Excess of revenue over expenses	20,465	22,955
Net assets, beginning of year	148,684	125,729
Net assets, end of year	<u>\$ 169,149</u>	<u>\$ 148,684</u>

See accompanying notes to financial statements.

THE CITIZENS' FOUNDATION, CANADA

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 20,465	\$ 22,955
Change in non-cash operating working capital:		
Prepaid expenses	–	(1,500)
Accounts payable and accrued liabilities	–	283
Deferred contributions	(171,473)	263,244
Harmonized sales tax recoverable	–	(23)
	(151,008)	284,959
Investing activities:		
Sale of investments, net	443,622	(154,963)
Contributed investments	(16,080)	(14,790)
	427,542	(169,753)
Increase in cash	276,534	115,206
Cash, beginning of year	204,979	89,773
Cash, end of year	\$ 481,513	\$ 204,979

See accompanying notes to financial statements.

THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements

Year ended December 31, 2015

The Citizens' Foundation, Canada (the "Foundation") was incorporated in Canada without share capital under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in May 2014. 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, June 30, 2014 and June 30, 2015. Under the terms of the agreement, TCFP will operate schools in Pakistan on behalf of the Foundation.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(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:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry non-equity investments at fair value.

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

THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Contributed goods and services:

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and an official receipt for income tax purposes has been issued to the donors. Contributions of services are not recognized in these financial statements.

In-kind gifts of donated securities for \$16,080 (2014 - \$14,790) was received during the year and included in donations in the statement of operation and changes in net assets.

(d) 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.

2. Investments:

	2015	2014
Guaranteed investment certificate	\$ —	\$ 427,316
Equities	4,294	4,520
	<u>\$ 4,294</u>	<u>\$ 431,836</u>

3. Commitments:

The Foundation operates 57 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 57 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.