

Financial Statements of

**THE CITIZENS' FOUNDATION,  
CANADA**

Year ended December 31, 2016



# 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, 2016, and the statements of operations and changes in net assets (liabilities) and cash flows for the year then 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.

## 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 the auditors' 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 auditors 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.

## 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 year ended December 31, 2016, any adjustments might be necessary to donations and surplus (deficit) reported in the statement of operations and changes in net assets (liabilities) and current assets and unrestricted net assets (liabilities) 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, 2016.

## 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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Other matter

The financial statements of **The Citizens' Foundation, Canada** for the year ended December 31, 2015 were audited by another auditor who expressed a qualified opinion on those statements on May 13, 2016.

Toronto, Canada  
June 26, 2017

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# THE CITIZENS' FOUNDATION, CANADA

## Balance Sheet

As at December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 206,626	\$ 481,513
Gala sponsorship receivables	40,000	—
Prepaid expenses and other receivables	5,624	5,000
Harmonized sales tax recoverable	12,802	1,110
	<u>265,052</u>	<u>487,623</u>
Investments (note 2)	418,160	4,294
	<u>\$ 683,212</u>	<u>\$ 491,917</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,009	\$ 13,843
Deferred contributions	768,046	308,925
	<u>785,055</u>	<u>322,768</u>
Net assets (liabilities):		
Unrestricted	(101,843)	169,149
Commitments (note 3)		
	<u>\$ 683,212</u>	<u>\$ 491,917</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 (Liabilities)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Donations	\$ 880,635	\$ 2,283,288
Gala ticket sales	74,566	74,605
Other	155,771	131,010
Unrealized foreign exchange gain (loss)	(2,803)	17,991
Investment gain (loss)	(217)	3,601
	<b>1,107,952</b>	<b>2,510,495</b>
Expenses:		
Funds transferred to Pakistan	1,215,445	2,334,054
Gala	77,262	78,058
Professional fees	29,467	17,181
Other	50,588	56,559
Advertising	4,329	2,025
Bank and interest charges	1,853	2,153
	<b>1,378,944</b>	<b>2,490,030</b>
Surplus (deficit) for the year	<b>(270,992)</b>	<b>20,465</b>
Net assets, beginning of year	<b>169,149</b>	<b>148,684</b>
Net assets (liabilities), end of year	<b>\$ (101,843)</b>	<b>\$ 169,149</b>

See accompanying notes to financial statements.

# THE CITIZENS' FOUNDATION, CANADA

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Surplus (deficit) of revenue over expenses	\$ (270,992)	\$ 20,465
Changes in non-cash operating working capital:		
Gala sponsorship receivables	(40,000)	—
Prepaid expenses and other receivables	(624)	—
Harmonized sales tax recoverable	(11,692)	—
Accounts payable and accrued liabilities	3,166	—
Deferred contributions	459,121	(171,473)
	<u>138,979</u>	<u>(151,008)</u>
Investing activities:		
Sale (purchase) of investments, net	(264,813)	443,622
Contributed investments	(149,053)	(16,080)
	<u>(413,866)</u>	<u>427,542</u>
Increase (decrease) in cash	(274,887)	276,534
Cash, beginning of year	481,513	204,979
Cash, end of year	<u>\$ 206,626</u>	<u>\$ 481,513</u>

See accompanying notes to financial statements.

# THE CITIZENS' FOUNDATION, CANADA

Notes to Financial Statements

Year ended December 31, 2016

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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, June 30, 2015 and November 15, 2016. 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 - Accounting.

### (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, 2016

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## 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 \$149,053 (2015 - \$16,080) was received during the year and included in donations in the statement of operation and changes in net assets (liabilities).

### (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:

	2016	2015
Guaranteed investment certificates	\$ 400,000	\$ —
Equities	18,160	4,294
	<b>\$ 418,160</b>	<b>\$ 4,294</b>

## 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.

