

The Citizens' Foundation, Canada

Financial statements
December 31, 2017



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, 2017, 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, 2017, any adjustments might be necessary to donations and deficiency 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, 2017.



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, 2017, 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.

Toronto, Canada
July 3, 2018

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Citizens' Foundation, Canada

Balance sheet

As at December 31

	2017	2016
	\$	\$
Assets		
Current		
Cash	385,215	206,626
Gala sponsorship receivables	53,000	40,000
Prepaid expenses and other receivables	1,817	5,624
Harmonized sales tax recoverable	17,116	12,802
Total current assets	457,148	265,052
Investments <i>[note 3]</i>	10,212	418,160
	467,360	683,212
Liabilities and net assets (liabilities)		
Current		
Accounts payable and accrued liabilities	14,839	17,009
Deferred contributions	662,001	768,046
Total current liabilities	676,840	785,055
Net assets (liabilities)		
Unrestricted	(209,480)	(101,843)
Commitments <i>[note 4]</i>		
	467,360	683,212

See accompanying notes

On behalf of the Board:

Director

Director

The Citizens' Foundation, Canada

Statement of operations and changes in net assets (liabilities)

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Donations	1,413,161	880,635
Gala ticket sales	78,667	74,566
Other	405,974	155,771
Unrealized foreign exchange gain (loss)	(12,733)	(2,803)
Investment gain (loss)	(2,046)	(217)
	<u>1,883,023</u>	<u>1,107,952</u>
Expenses		
Funds transferred to Pakistan	1,803,242	1,215,445
Gala	77,784	77,262
Professional fees	53,757	29,467
Other	27,398	24,772
Advertising	101	4,329
Bank and processing charges	28,378	27,669
	<u>1,990,660</u>	<u>1,378,944</u>
Deficiency of revenue over expenses for the year	(107,637)	(270,992)
Net assets (liabilities), beginning of year	<u>(101,843)</u>	169,149
Net assets (liabilities), end of year	<u>(209,480)</u>	<u>(101,843)</u>

See accompanying notes

The Citizens' Foundation, Canada

Statement of cash flows

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
Deficiency of revenue over expenses for the year	(107,637)	(270,992)
Changes in non-cash working capital balances related to operations		
Gala sponsorship receivables	(13,000)	(40,000)
Prepaid expenses and other receivables	3,807	(624)
Harmonized sales tax recoverable	(4,314)	(11,692)
Accounts payable and accrued liabilities	(2,170)	3,166
Deferred contributions	(106,045)	459,121
Cash provided by (used in) operating activities	(229,359)	138,979
Investing activities		
Sale (purchase) of investments, net	407,948	(264,813)
Contributed investments, net	—	(149,053)
Cash provided by (used in) investing activities	407,948	(413,866)
Increase (decrease) in cash during the year	178,589	(274,887)
Cash, beginning of year	206,626	481,513
Cash, end of year	385,215	206,626

See accompanying notes

The Citizens' Foundation, Canada

Notes to financial statements

December 31, 2017

1. Nature of operations

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.

2. 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.

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.

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.

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 nil [2016 – \$149,053] was received during the year and included in donations in the statement of operations and changes in net assets (liabilities).

The Citizens' Foundation, Canada

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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.

3. Investments

	2017	2016
	\$	\$
Guaranteed investment certificates	10,212	400,000
Equities	—	18,160
	10,212	418,160

4. 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.

The Foundation has a contractual commitment for office services that requires the following future minimum payments:

	\$
2018	13,788
2019	5,745
	19,533

5. Comparative financial statements

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2017 financial statements.