

# The Citizens' Foundation, Canada

Financial statements  
December 31, 2018



# Independent auditor's report

To the Members of  
**The Citizens' Foundation, Canada**

## Qualified opinion

We have audited the financial statements of **The Citizens' Foundation, Canada**, which comprise the balance sheet as at December 31, 2018, and the statement of operations and changes in net assets (deficiency) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Citizens' Foundation, Canada as at December 31, 2018, 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.

## 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 any adjustments might be necessary to donations and surplus (deficit) reported in the statement of operations and changes in net assets (deficiency), and current assets and unrestricted net assets (deficiency) for the years ended December 31, 2018 and 2017, assets as at December 31, 2018 and 2017, and unrestricted net assets (deficiency) as at January 1 and December 31 for both 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of The Citizens' Foundation, Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted 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.

In preparing the financial statements, management is responsible for assessing The Citizens' Foundation, Canada's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate The Citizens' Foundation, Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Citizens' Foundation, Canada's financial reporting process.



### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Citizens' Foundation, Canada's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Citizens' Foundation, Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Citizens' Foundation, Canada to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada  
June 17, 2019

*Ernst + Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# The Citizens' Foundation, Canada

## Balance sheet

As at December 31

	2018	2017
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	844,366	385,215
Prepaid expenses and accounts receivables	29,957	54,817
Harmonized sales tax recoverable	33,014	17,116
<b>Total current assets</b>	<b>907,337</b>	<b>457,148</b>
Investments <i>[note 3]</i>	10,302	10,212
	<b>917,639</b>	<b>467,360</b>
<b>Liabilities and net assets (deficiency)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	26,751	14,839
Deferred contributions	1,068,483	662,001
<b>Total current liabilities</b>	<b>1,095,234</b>	<b>676,840</b>
<b>Net assets (deficiency)</b>		
Unrestricted	(177,595)	(209,480)
	<b>917,639</b>	<b>467,360</b>
Commitments <i>[note 4]</i>		

*See accompanying notes*

On behalf of the Board:

Director

Director

The Citizens' Foundation, Canada

**Statement of operations and changes in net assets (deficiency)**

Year ended December 31

	2018	2017
	\$	\$
<b>Revenue</b>		
Donations	1,608,076	1,413,161
Gala donations	307,049	404,772
Gala ticket sales	49,322	78,667
Other	22,200	1,202
Unrealized foreign exchange gain (loss)	80	(12,733)
Investment loss	(178)	(2,046)
	<u>1,986,549</u>	<u>1,883,023</u>
<b>Expenses</b>		
Funds transferred to Pakistan	1,630,725	1,803,242
Gala	93,575	77,784
Professional fees	65,390	53,757
Other	34,119	20,030
Payroll	32,829	—
Bank and processing charges	20,581	28,378
Bad debt	20,000	—
Fund raising events and other	26,047	6,605
Travel	16,812	763
Advertising	14,586	101
	<u>1,954,664</u>	<u>1,990,660</u>
<b>Revenue (deficiency) over expenses for the year</b>	<b>31,885</b>	<b>(107,637)</b>
Net assets (deficiency), beginning of year	<u>(209,480)</u>	<u>(101,843)</u>
<b>Net assets (deficiency), end of year</b>	<b><u>(177,595)</u></b>	<b><u>(209,480)</u></b>

See accompanying notes

The Citizens' Foundation, Canada

Statement of cash flows

Year ended December 31

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Operating activities</b>		
Revenue (deficiency) over expenses for the year	<b>31,885</b>	(107,637)
Changes in non-cash working capital balances related to operations		
Prepaid expenses and accounts receivables	<b>24,860</b>	(9,193)
Harmonized sales tax recoverable	<b>(15,898)</b>	(4,314)
Accounts payable and accrued liabilities	<b>11,912</b>	(2,170)
Deferred contributions	<b>406,482</b>	(106,045)
<b>Cash provided by (used in) operating activities</b>	<b>459,241</b>	(229,359)
<b>Investing activities</b>		
Sale (purchase) of investments, net	<b>(90)</b>	407,948
<b>Cash provided by (used in) investing activities</b>	<b>(90)</b>	407,948
<b>Increase in cash during the year</b>	<b>459,151</b>	178,589
Cash, beginning of year	<b>385,215</b>	206,626
<b>Cash, end of year</b>	<b>844,366</b>	385,215

See accompanying notes

## The Citizens' Foundation, Canada

### Notes to financial statements

December 31, 2018

#### 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. This agreement has had subsequent amendments with the latest amendment effective December 31, 2018. 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 *CPA 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 \$116,722 [2017 – \$nil] was received during the year and included in donations in the statement of operations and changes in net assets (deficiency).

# The Citizens' Foundation, Canada

## Notes to financial statements

December 31, 2018

### 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

	2018 \$	2017 \$
Guaranteed investment certificates	<u>10,302</u>	<u>10,212</u>

### 4. Commitments

The Foundation operates 77 (2017: 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 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:

	\$
2019	<u>5,745</u>

### 5. Comparative financial statements

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2018 financial statements.