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**Aga Khan Foundation Canada –
Fondation Aga Khan Canada**

**Financial statements
December 31, 2017**



Independent auditors' report

To the Members of the Board of Directors of the
Aga Khan Foundation Canada – Fondation Aga Khan Canada

We have audited the accompanying financial statements of the **Aga Khan Foundation Canada – Fondation Aga Khan Canada**, which comprise the balance sheet as at December 31, 2017, and the statements of operations, changes in net assets 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Aga Khan Foundation Canada – Fondation Aga Khan 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.

Ottawa, Canada
June 23, 2018

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Balance sheet

As at December 31

	2017	2016
	\$	\$
Assets		
Cash and cash equivalents	77,942,167	41,010,501
Contributions receivable	4,190,147	5,445,017
Accrued interest receivable	533,300	487,686
Other receivables and prepaid expenses	750,909	2,522,965
Advances on program activities	27,297,895	10,860,240
Investments <i>[note 3]</i>	38,118,908	33,080,023
Investments – restricted <i>[note 4]</i>	—	642,709
Property and equipment held for charitable purposes, net <i>[note 5]</i>	393,444,467	387,304,159
Total assets	542,277,793	481,353,300
Liabilities and net assets		
Liabilities		
Accounts payable and other liabilities <i>[note 6]</i>	2,822,085	2,487,528
Payables on program activities	4,650,158	3,902,938
Deferred contributions	14,929,084	18,190,151
Total liabilities	22,401,327	24,580,617
Net assets		
Invested in property and equipment held for charitable purposes	393,444,467	387,304,159
Unrestricted accumulated surplus	126,431,999	69,468,524
Total net assets	519,876,466	456,772,683
	542,277,793	481,353,300

See accompanying notes

On behalf of the Board:

Director

Director

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Statement of operations

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Donations <i>[notes 1 and 5]</i>	130,882,274	62,965,573
Investment income	978,864	857,444
	<u>131,861,138</u>	<u>63,823,017</u>
Global Affairs Canada	43,350,945	48,966,065
Other agencies	3,014,131	4,264,289
Other grants and income	5,260,556	1,760,987
	<u>51,625,632</u>	<u>54,991,341</u>
Total revenue	<u>183,486,770</u>	<u>118,814,358</u>
Expenses		
Program activities	95,920,627	98,715,846
Administration <i>[note 2]</i>	5,227,515	4,894,172
Amortization of property and equipment held for charitable purposes	19,234,845	18,420,311
Total expenses	<u>120,382,987</u>	<u>122,030,329</u>
Excess (deficiency) of revenue over expenses for the year	<u>63,103,783</u>	<u>(3,215,971)</u>

See accompanying notes

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Statement of changes in net assets

Year ended December 31

	Invested in property and equipment held for charitable purposes	Unrestricted accumulated surplus	Total 2017	Total 2016
	\$	\$	\$	\$
Balance, beginning of year	387,304,159	69,468,524	456,772,683	459,988,654
Net investment in property and equipment held for charitable purposes	25,375,153	(25,375,153)	—	—
Amortization expenses/excess (deficiency) of revenue over expenses for the year	(19,234,845)	82,338,628	63,103,783	(3,215,971)
Balance, end of year	<u>393,444,467</u>	<u>126,431,999</u>	<u>519,876,466</u>	<u>456,772,683</u>

See accompanying notes

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Statement of cash flows

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	63,103,783	(3,215,971)
Add (less) items not affecting cash		
Amortization of property and equipment held for charitable purposes	19,234,845	18,420,311
Contributed property	(23,050,000)	—
Gain on disposal of property and equipment held for charitable purposes	(2,674,756)	—
Net change in non-cash working capital balances related to operations <i>[note 7]</i>	(15,635,633)	2,736,038
Cash provided by operating activities	40,978,239	17,940,378
Investing activities		
Additions to property and equipment held for charitable purposes	(3,137,574)	(25,348,523)
Proceeds from disposal of property and equipment held for charitable purposes	3,487,177	—
Net purchases of investments	(4,396,176)	(3,059,308)
Cash used in investing activities	(4,046,573)	(28,407,831)
Net increase (decrease) in cash and cash equivalents during the year	36,931,666	(10,467,453)
Cash and cash equivalents, beginning of year	41,010,501	51,477,954
Cash and cash equivalents, end of year	77,942,167	41,010,501

See accompanying notes

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Notes to financial statements

December 31, 2017

1. Aga Khan Foundation Canada

Aga Khan Foundation Canada – Fondation Aga Khan Canada ["AKFC"], incorporated on July 3, 1980, is a non-profit international development agency working in Asia and Africa to find sustainable solutions to the complex problems causing global poverty. AKFC is an agency of the Aga Khan Development Network ["AKDN"], a group of development agencies with individual mandates that address social, economic and cultural dimensions of development. Active in over thirty countries, these agencies share a mission to improve living conditions and opportunities for the poor without regard to their faith, origin or gender by seeking fresh solutions to pressing social and economic problems.

AKFC's work covers two core lines of activity: programming related to international development, and the acquisition and development of properties used for charitable purposes. Both of these areas are supported by separate funding streams.

AKFC's current portfolio for international development projects includes initiatives on health, education, rural development, and civil society strengthening in several countries in Asia and Africa. It also offers an International Fellowship Program for Young Canadians and other programs enabling Canadians to serve in the developing world, and a robust public engagement and professional learning program to raise awareness and encourage discussion about Canada's role in an interdependent world.

Under its custodial mandate, for charitable properties, AKFC currently owns 24 properties used for charitable purposes [including the Delegation of the Ismaili Imamat in Ottawa, where AKFC is headquartered], and four parcels of land held for development for charitable purposes [note 5].

AKFC's international development work is financed by generous public support, a long-standing partnership with the Global Affairs Canada ["GAC"], productive collaborations with other leading development agencies, as well as the long-standing support of Aga Khan Foundation in Geneva, Switzerland ["AKF"]. AKFC's property development initiatives are funded by grants from AKF and specific capital campaigns undertaken from time to time. AKF also provides core support for AKFC's administration and fundraising costs. In 2017, the AKF made a donation of \$25,252,555 [2016 - \$34,057,752].

AKFC is a registered charity within the meaning of the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

2. Basis of presentation

The financial statements have been prepared by AKFC in Canadian dollars and in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-Profit Organizations", which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ["GAAP"] and includes the significant accounting policies hereafter.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, all highly liquid investments with original maturities of three months or less, and investments in longer-term guaranteed investment certificates that are cashable at any time.

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Notes to financial statements

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Donations and contributions

AKFC follows the deferral method of accounting for contributions. Donations are recorded when received. Program contributions from the GAC and other funding partners are recorded on an accrual basis and thus the portion of grants and contributions received to date that is not expended is deferred to subsequent years.

Expenses

AKFC's expenses are recognized as incurred.

Property and equipment held for charitable purposes

Property and equipment held for charitable purposes are recorded at the appraised fair value at the time of donation or at cost where such property is acquired. All costs associated with the acquisition, construction and restoration of properties held for charitable purposes are capitalized.

Amortization

Amortization of property and equipment held for charitable purposes is calculated using the straight-line method over a period of 15 to 40 years. Office furniture and equipment amortization is calculated using the straight-line method over a period of three to five years.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the actual realized weighted average rate at the transaction date. Investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are included in the statement of operations.

Allocation of expenses

The direct expenses related to AKFC's activities, such as the cost of personnel and supplies, are allocated to each function in the statement of operations. AKFC also incurs general support expenses that are common to the administration of AKFC and each of its functions. Some of these expenses are allocated to program activities. The amount allocated in 2017 totals \$6,343,452 [2016 – \$5,915,350]. The allocated expenses include those related to human resources, finance and information systems, are allocated to program activities. These expenses are allocated proportionately based on the content of each activity, and human resources expenses are directly attributable to the program activities.

3. Investments

The majority of investments consist of term deposits and guaranteed investment certificates, which, in accordance with AKFC's investment policy, are for terms varying from 10 to 367 days. The investments are recorded at amortized cost and earn interest at rates varying from 0.45% to 1.70%, and the weighted average rate is 1.29% [2016 – 1.28%]. The market value of the portfolio as at December 31, 2017 amounts to \$38,612,036 [2016 – \$34,043,915].

Aga Khan Foundation Canada – Fondation Aga Khan Canada

Notes to financial statements

December 31, 2017

4. Commitments

There are investments held as collateral for letters of credit with the City of Toronto and Hydro Ontario in the amount of \$nil [2016 – \$642,709]. The development work on the property for which this collateral was established is complete.

5. Property and equipment held for charitable purposes

Property and equipment held for charitable purposes consist of 24 properties [including the Delegation of the Ismaili Imammat in Ottawa, where AKFC is headquartered] used for charitable purposes, and four parcels of land held for development for charitable purposes. Except for the Delegation of the Ismaili Imammat in Ottawa, operating costs for these properties are not included in the statement of operations because these costs are not the responsibility of AKFC.

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Property held for charitable purposes				
Buildings	438,445,870	113,147,240	422,684,699	94,978,651
Land	67,856,440		59,226,280	—
Office furniture and equipment	5,790,955	5,501,558	5,686,435	5,314,604
	512,093,265	118,648,798	487,597,414	100,293,255
Accumulated amortization			100,293,255	
Net book value	393,444,467		387,304,159	

During the year, AKFC received contributed property with an appraised fair value of \$23,050,000, allocated between building and land of \$14,300,000 and \$8,750,000, respectively.

6. Employees Supplementary Executive Retirement Plan

AKFC accrues its obligation for certain senior employees towards the Supplementary Executive Retirement Plan. The liability is calculated based on a fixed contribution to eligible employees, which is valued at \$1,511,932 [2016 – \$1,426,524]. The amount is recorded under accounts payable and other liabilities.

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Notes to financial statements

December 31, 2017

7. Net change in non-cash working capital balances related to operations

The net change in non-cash working capital balances related to operations consists of the following:

	2017 \$	2016 \$
Contributions receivable	1,254,870	(4,394,778)
Accrued interest receivable	(45,614)	48,370
Other receivables and prepaid expenses	1,772,056	(1,192,789)
Advances on program activities	(16,437,655)	4,238,571
Accounts payable and accrued liabilities	334,557	215,624
Payables on program activities	747,220	(1,401,633)
Deferred contributions	(3,261,067)	5,222,673
	<u>(15,635,633)</u>	<u>2,736,038</u>

8. Pledges

To enable AKFC to fulfill its mandate, in addition to commitments from GAC and other funding partners with respect to certain joint activities, expressions of future continuing support have been received from various individuals and corporations amounting to approximately \$266 million [2016 – \$24 million]. These amounts will be recorded as donations when received. AKFC's cash and investments are also available to support its activities.