

Annual Report 2016



GLOBAL
CENTRE FOR
PLURALISM CENTRE
MONDIAL DU
PLURALISME



Cover image: Albie Sachs presents a copy of the South African Bill of Rights to His Highness the Aga Khan at the Annual Pluralism Lecture in Toronto, May 2016. A copy of the Bill of Rights, signed by Justice Sachs, now hangs at the Global Centre for Pluralism's headquarters in Ottawa.

Credit: Tom Sandler

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INTRODUCTION

Founded by His Highness the Aga Khan in partnership with the Government of Canada, the Global Centre for Pluralism is an international research and education centre located in Ottawa, Canada. Inspired by Canada's experience as a diverse and inclusive country, the Centre was created to advance positive responses to the challenge of living peacefully and productively together in diverse societies.

This annual report is submitted to the Minister of Canadian Heritage in fulfillment of reporting requirements under the 2006 Funding Agreement between the Centre and the Government of Canada. The report focusses on the ongoing results of the Centre's programs in 2016 and presents an update on the performance of the Centre's Endowment Fund, along with audited financial statements for the 2016 fiscal year.

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pluralism.ca

“Pluralism does not mean the elimination of difference, but the embrace of difference. Genuine pluralism understands that diversity does not weaken a society, it strengthens it.”

HIS HIGHNESS THE AGA KHAN

Mission

The Centre serves as a global platform for comparative analysis, education and dialogue about the choices and actions that advance and sustain pluralism.

Through research, education and knowledge exchange, the Centre’s programs:

- Deepen understanding about the sources of inclusion and exclusion in Canada and around the world
- Chart pathways to pluralism in specific places and cases
- Catalyze knowledge exchange and learning about the policies and practices that support pluralism

WHAT IS PLURALISM?

Pluralism means recognizing, valuing and respecting our differences. In a society that embraces pluralism, differences are not seen as threatening. They present opportunities to learn from one another, and enrich our lives and communities with new perspectives and ideas. In a pluralistic society, membership is determined by institutions and practices, not by one’s appearance, beliefs or place of birth. Every person is free to express the different identities that contribute to their uniqueness. Everyone belongs.

Governance

The Centre’s Board of Directors is composed of four international members, seven Canadians and Board Chair, His Highness the Aga Khan.



Credit: Patrick Doyle

Board of Directors

From left to right, standing: Rudyard Griffiths, Azim Nanji, Huguette Labelle, Khalil Shariff, Margaret Ogilvie, Iain Benson, Marwan Muasher

Sitting: Eduardo Stein, the Rt. Hon. Adrienne Clarkson, His Highness the Aga Khan, Kofi Annan, Princess Zahra Aga Khan

Diversity in society is a fact, but pluralism requires a deliberate choice to accommodate and value diversity.



A Canadian citizenship ceremony at the Museum of Nature in Ottawa, 2016.

2016 was a tumultuous year in the world. A rising tide of populism, nativism and intolerance threatened to upend politics in the West. Faced with the accelerated pace of change brought on by technological advances that threaten jobs and cause anxiety about the future, some retreated into the politics of identity and exclusion. A global refugee and migrant crisis of staggering dimensions challenged countries in crisis, host countries, those on transit routes and receiving countries. Conflicts in the developing world were often fed by ethnic, sectarian and cultural differences that made finding solutions more complicated. At the same time, however, there was renewed determination at all levels — in the multilateral system, by national political leaders such as Canadian Prime Minister Justin Trudeau, in civil society and above all among individuals and communities — to find better ways for people to live together.

The need for pluralism — defined simply as respect for diversity — extends to every society, because in the contemporary world, virtually every society is diverse in some way, whether that be social, linguistic, ethnic, tribal or religious diversity. This is true for all continents — for Africa and Asia, North and South America and Europe — and for developing countries, the emerging powers and industrialized countries alike. If diversity is accommodated and valued, it will lead to greater prosperity and peace. But, the opposite holds true, too. If diversity is seen as an element of weakness or division, it leads to discord and negative social outcomes — less peace, development and prosperity. Civil strife or, at the very worst, genocide can be the result.

Diversity in society is a fact, but pluralism requires a deliberate choice to accommodate and value diversity. Through analysis and dialogue, the Global Centre for Pluralism seeks to illuminate and explain the choices that foster pluralism. Our “change case” series, which went through final editing and peer-review in 2016 and will be published in 2017, examines 18 different countries’ experiences. In particular, this research focusses on moments of change where there was a significant shift in the way the country managed its diversity, either paving a path toward greater inclusion or exclusion. By presenting this research and disseminating it through networks and events around the world, the Centre aims to inform the efforts of a wide array of actors from policymakers to educators to corporate leaders. As His Highness the Aga Khan has argued, both the “software,” the attitudes of acceptance and respect, and the “hardware,” the inclusionary institutions, are essential to sustain pluralism.

In 2016, the Government of Canada deepened its significant investment in the Global Centre for Pluralism: Global Affairs Canada provided \$15 million in institutional support to the Centre. We are extremely appreciative to the Government for its continuing support and commitment to the Centre’s work.

In 2016, the Centre also informed the work of practitioners by convening experts from around the world on important issues with a major pluralism dimension. Workshops and conferences considered



Credit: Andrea Cardin

The Ottawa Peace Talks, April 2016.

the role of constitution-making bodies and parliaments in building social cohesion and peaceful political transformations in the Arab region, adapting national narratives in history curricula to become more inclusive of different groups’ experiences, and using pluralism to support conflict mediation and peace processes.

Our fifth Annual Pluralism Lecture featured Justice Albie Sachs, former freedom fighter and inaugural member of the Constitutional Court of South Africa, who spoke of his first-hand experience drafting the post-apartheid constitution. In discussing how important it was that the new constitution help to heal a fragmented and divided South Africa, Justice Sachs said, “Diversity doesn’t destroy unity, but true unity depends upon acknowledging diversity. It’s not a unity that’s imposed. It’s a unity that’s felt, enjoyed and realized by the people who are affected by it.”

The Centre continues to strive to contribute to this vision for the world.

John McNee
Secretary General

Generating Knowledge

In partnership with the International Development Research Centre (IDRC), the Centre worked with its network of global experts to expand the evidence base for pluralism and deepen our understanding of the pathways to pluralism in diverse societies. Results included:

- Development of a major publication series focussed on moments of change in diverse societies when the approach to diversity became either more pluralistic or more exclusionary. The series features 18 “change cases” focussed on six regions of the world supplemented by thematic overviews that examine some of the larger questions underpinning the cases. The publication series will be published on the Centre’s website in 2017.
- Continued work to develop the Centre’s Pluralism Lens, a new global perspective on diversity and the basis for a set of global indicators for pluralism. A guide to help practitioners apply the Lens will be published by the Centre in September 2017.
- Development of a second major publication series that considers the intersections between pluralism and other lenses on diversity such as social cohesion, human rights, peacebuilding and international development. The studies demonstrate how a pluralism lens adds value to established areas of practice and suggests how these fields contribute to pluralism. The series will be published on the Centre’s website in 2017.

Raising Awareness

The Centre helped to increase global understanding of pluralism and the practical ways it can be applied. Results included:

- Launching a call for nominations for the Global Pluralism Award, which generated awareness of pluralism globally and surfaced hundreds of examples of pluralism in action. Nominations were received from 43 countries and over 15 fields of practice. The inaugural awards will be conferred in the fall of 2017.
- Producing an engaging short film featuring interviews with the Centre's international Board members to explain pluralism and underscore its importance in the contemporary world.
- Hosting the fifth Annual Pluralism Lecture with Justice Albie Sachs, freedom fighter and former member of the South African Constitutional Court. The event garnered national media attention and the lecture about the battle for the South African Constitution has reached over 6,000 viewers online.
- Presenting the Ottawa Peace Talks in partnership with Interpeace of Geneva featuring 13 speakers from diverse backgrounds who offered advice and leadership for building peaceful, pluralistic societies. The event and resulting videos reached over 3,700 people.
- Preparing the Centre's new headquarters at 330 Sussex Drive in Ottawa to become a destination for dialogue about the policies and practices that advance pluralism, and expanding the Centre's convening power on these topics.



Credit: Andreea Cardin

Pluralism Forum in October 2016.

From left to right: moderator Roland Paris (University of Ottawa), Meredith Preston-McGhie (HD Centre), Marie-Joëlle Zahar (University of Montréal) and David Gorman (HD Centre).

Engaging Champions and Networks

The Centre forged partnerships with a range of civil society organizations, governments and researchers to undertake research and lead dialogues that promote pluralism. Results included:

- Developing resources to equip educators to promote positive responses to diversity in classrooms and schools, in collaboration with international education partners and experts.
- Expanding the Centre's research network to include 33 researchers in 13 countries, with links to 26 universities and research centres. This network convened at the Centre for the inaugural Pluralism Think Tank in January 2016 to provide valuable input on the Centre's analytical framework and indicator program.
- Supporting researchers in Kyrgyzstan with grants to produce papers and events about the country's history as a diverse society and fostering inclusion through history and memory. This initiative was supported by a grant from the Canadian Fund for Local Initiatives, administered through the Canadian mission in Astana, Kazakhstan.
- Delivering pluralism workshops to 50 participants, including researchers in Kyrgyzstan and youth leaders in France in partnership with the Organisation internationale de la Francophonie, and equipping them with the skills and theory to integrate pluralism into their work.



Forum on history and memory in Kyrgyzstan, December 2016.

Credit: Central Asian Studies Institute

Translating Research to Practice

The Centre equipped educators, practitioners, policymakers and researchers with tools and training to put pluralism into practice. A keen demand exists for more of these resources and analysis. Results included:

- Co-presenting a conference in Tunis with UNDP and International IDEA which advanced understanding about the role of constitution-making bodies and parliaments in building social cohesion and peaceful political transitions in the Arab region.
- Hosting a roundtable discussion and Pluralism Forum with the Centre for Humanitarian Dialogue, which generated a series of recommendations for Canadian policymakers about how to integrate pluralism in conflict mediation and peace processes.
- Convening two workshops with government and civil society actors and members of the Centre's research network to discuss developing indicators and benchmarks for pluralism. Work on the Pluralism Index begins in 2017 to identify potential partners and address methodological issues.
- Supporting social inclusion in Kyrgyzstan by working with the President's Commission on History to review national history curricula and develop more inclusive historical narratives in education.

New Global Headquarters

330 Sussex Drive in Ottawa is a Canadian heritage landmark that first housed the Public Archives (1905-1967) and then the Canadian War Museum (1967-2005). The revitalization of the building to serve as the new international headquarters of the Global Centre for Pluralism came to a conclusion in 2016, with plans for the Centre to move its operations to the new facility in January and officially open in May 2017.

The Centre entered into a partnership with the National Capital Commission (NCC) to join a

circuit of other newly restored architectural gems in Ottawa offering special programming as part of the Confederation Pavilions for Canada's 150th anniversary. Designs and content for an interactive public exhibit were finalized, as well as a display of Canadian art from the Canada Council Art Bank. Together, these exhibits will help to tell the story of Canada's experience of pluralism to local and global visitors throughout 2017.

The Dialogue Centre at 330 Sussex Drive during the renovation.



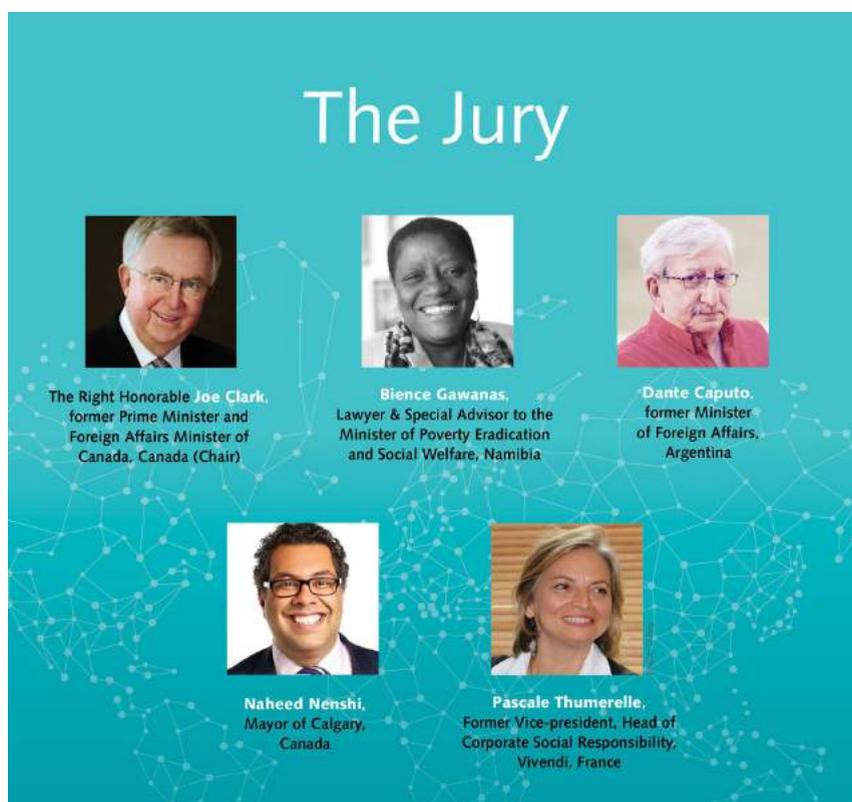
Credit: Salma Kassam

Global Pluralism Award

The Award is presented once every two years to individuals, organizations, governments and businesses around the world to celebrate pluralism in action. Through their remarkable and sustained achievements, Award winners contribute to building more inclusive societies where human differences are valued and respected.

In 2016, the Centre recruited an independent, distinguished jury to select the inaugural winners. The members of the jury include:

- The Rt. Hon. Joe Clark, former Prime Minister and Foreign Affairs Minister of Canada (Jury Chair)
- Dante Caputo (Argentina), Member of the Council of the Permanent Assembly for Human Rights of Argentina; former Minister of Foreign Affairs in Argentina
- Bience Gawanas (Namibia), Special Advisor to the Minister of Poverty Eradication and Social Welfare, Namibia; former Commissioner for Social Affairs at the African Union Assembly of Heads of State and Government
- Naheed Nenshi (Canada), Mayor of Calgary
- Pascale Thumerelle (France), former Vice-President, Head of Corporate Social Responsibility, Vivendi, a global integrated industrial group in media and content



Global Analysis

What drives inclusion and exclusion in diverse societies? To answer this question, the Centre commissioned a series of change cases focussed on six regions of the world. In 2016, the papers were peer-reviewed and edited based on input received at the Centre's first annual Pluralism Think Tank in January. Each case examines a specific moment when a country altered its approach to diversity, either expanding or eroding inclusive citizenship. The publication series will be launched on the Centre's website in 2017 to coincide with the Centre's official opening. Germany, India and Brazil are briefly summarized here.

GERMANY

"CITIZENSHIP, NATIONALITY AND IMMIGRATION IN GERMANY"

Starting in the 1960s, Germany experienced a surge in immigration, predominantly from Turkey. These immigrants were essential to Germany's economic growth, but the country was slow to recognize them as citizens. Citizenship reforms introduced in 2000 have widened the terms of state membership, but fears over the "divided loyalties" of immigrants persist among many Germans. This paper explores the public conversation in Germany — among conservatives and liberals — about expanding access to citizenship, as well as the catalysts and obstacles for greater pluralism since Germany's reunification.



Pluralism Think Tank meets in Ottawa, January 2016.



Jan Dobbernack, University of Lincoln, United Kingdom

INDIA

“WHY DID INDIA CHOOSE PLURALISM? LESSONS FROM A POSTCOLONIAL STATE”

Like many postcolonial states, India’s path to independence included building a common national identity among diverse religious and ethnic groups. While the creation of Pakistan in 1947 seemed to assert that Hindus and Muslims could not co-exist in a single nation, India remained committed to recognizing cultural diversity and promoting a more pluralistic sense of citizenship. Despite this commitment, there are still obstacles in India. Non-governmental organizations, a free press and a critical intelligentsia are being challenged by Hindu nationalism. Federalism and power-sharing have enabled the accommodation of linguistic and regional diversity, but often at the cost of diminished protection for minorities. This paper discusses the lessons to be learned from the choices India made to incorporate difference into the country’s identity.



Rochana Bajpai, University of London, United Kingdom

BRAZIL

“BUILDING PLURALISM THROUGH AFFIRMATIVE ACTION IN BRAZIL: THE CASE OF EDUCATION”

After independence, a widespread notion took root that Brazilians comprised a single “cosmic” race produced by significant mixing between indigenous peoples, former African slaves and European settlers. This belief ignored the very real discrimination experienced by Afro-Brazilians, which has only been addressed in recent years through affirmative action policies. This paper examines the factors that account for this changed conversation about diversity in Brazil, as well as the lessons to be learned from the shifting narratives about national identity.



Daniela Ikawa, Columbia University, United States

Annual Pluralism Lecture

THE BATTLE FOR THE SOUTH AFRICAN CONSTITUTION: PROTECTING MINORITIES THROUGH POWER-SHARING OR A BILL OF RIGHTS?

Justice Albie Sachs, inaugural member of the Constitutional Court of South Africa, delivered the Centre's fifth Annual Pluralism Lecture in May 2016. A freedom fighter and key architect of South Africa's post-apartheid constitution, Justice Sachs survived an assassination attempt that caused him to lose an arm and his vision in one eye.

After recovering, Justice Sachs helped Nelson Mandela transition South Africa from apartheid to democracy, by drafting a constitution, which included the protection of minority rights. Two decades later, this constitution is still held up around the world as a progressive and inclusive example for other constitutional transitions.

Justice Sachs recounted his personal stories of the constitution-making negotiations in South Africa, which were at time fraught with disagreements.

“In our preamble, it says ‘United in our diversity.’ South Africa belongs to all who live in it. United in our diversity. That’s the fundamental theme of our constitutional endeavour.”

JUSTICE ALBIE SACHS, MAY 2016



Credit: Tom Sandler

Fund Management

The 2006 Funding Agreement between the Government of Canada and the Global Centre for Pluralism created a \$40 million Endowment Fund. In October 2010, the Centre's Board of Directors formed an Investment Management Committee from its members. Assisted by a professional investment advisor, in November 2011 the Board adopted a Statement of Investment Policy (SIP) and a Statement of Spending Policy. In 2012, a professional portfolio manager and a custodian were appointed.

With these requisite conditions in place, in September 2012 the Fund was fully invested in the market in accordance with the principles articulated in the Funding Agreement of 2006 and affirmed by the Centre's SIP.

The first tranche of funding for \$7.5 million of a new Global Affairs Canada grant of \$15 million was received and invested in the Endowment Fund during Oct-Dec 2016.

Overall the Fund has performed well. At the end of 2016, the fund balance was \$62.7 million.

Financial Statements

The Centre uses the calendar year as its fiscal year. In 2016, the Centre received another clean audit from Ernst & Young — the auditors appointed by the Members of the Corporation and supervised by the Audit Committee of the Board of Directors. These statements have been approved by the Board of Directors and duly received by the Members of the Corporation. The audited financial statements for 2016 are included in this report as Appendix A.

Financial statements

Global Centre for Pluralism

December 31, 2016



Building a better
working world

Independent auditors' report

To the Board of Directors of the
Global Centre for Pluralism

We have audited the accompanying financial statements of the **Global Centre for Pluralism**, which comprise the balance sheet as at December 31, 2016, and the statement of operations and 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 in our audit 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 **Global Centre for Pluralism** 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.

Ernst & Young LLP

Ottawa, Canada
June 5, 2017

Chartered Professional Accountants
Licensed Public Accountants



Global Centre for Pluralism

Balance sheet

As at December 31

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Cash and cash equivalents | 270,469 | 2,695 |
| Other receivables and prepaid expenses | 121,056 | 149,936 |
| Investments <i>[note 3]</i> | 62,678,354 | 53,165,479 |
| Furniture and equipment, net | 163,857 | 134,126 |
| Total assets | 63,233,736 | 53,452,236 |
| Liabilities and net assets | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | 552,626 | 236,594 |
| Deferred contributions | 24,241 | — |
| Total liabilities | 576,867 | 236,594 |
| Net assets | | |
| Endowment fund <i>[note 2]</i> | 40,000,000 | 40,000,000 |
| Unrestricted fund | 22,656,869 | 13,215,642 |
| Total net assets | 62,656,869 | 53,215,642 |
| | 63,233,736 | 53,452,236 |

See accompanying notes

On behalf of the Board:

Director

Director

Global Centre for Pluralism

Statement of operations and changes in net assets

Year ended December 31

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| Investment income <i>[note 4]</i> | 5,011,379 | 1,981,992 |
| Grants | 7,553,834 | 85,802 |
| Donations | 16,731 | 16,400 |
| Other income | 1,467 | — |
| Total revenue | 12,583,411 | 2,084,194 |
| Expenses <i>[note 7]</i> | | |
| Programs and projects | 2,592,603 | 2,001,444 |
| Administration and other | 549,581 | 273,694 |
| Total expenses | 3,142,184 | 2,275,138 |
| Excess (deficiency) of revenue over expenses for the year | 9,441,227 | (190,944) |
| Unrestricted fund, beginning of year | 13,215,642 | 13,406,586 |
| Unrestricted fund, end of year | 22,656,869 | 13,215,642 |
| Endowment funds | 40,000,000 | 40,000,000 |
| Net assets, end of year | 62,656,869 | 53,215,642 |

See accompanying notes

Global Centre for Pluralism

Statement of cash flows

Year ended December 31

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses for the year | 9,441,227 | (190,944) |
| Add (deduct) items not involving cash | | |
| Amortization of equipment | 83,917 | 51,287 |
| Unrealized (gain) loss on investments | (1,700,560) | 1,314,724 |
| Net change in non-cash working capital balances related to operations <i>[note 6]</i> | 369,153 | (106,823) |
| Cash provided by operating activities | 8,193,737 | 1,068,244 |
| Investing activities | | |
| Net purchase of investments | (7,812,315) | (1,071,716) |
| Additions to furniture and equipment | (113,648) | (101,500) |
| Cash used in investing activities | (7,925,963) | (1,173,216) |
| Net increase (decrease) in cash and cash equivalents during the year | 267,774 | (104,972) |
| Cash and cash equivalents, beginning of year | 2,695 | 107,667 |
| Cash and cash equivalents, end of year | 270,469 | 2,695 |

See accompanying notes

Notes to financial statements

December 31, 2016

1. The Centre

The Global Centre for Pluralism [the “Centre”], located in Ottawa, Canada, was created by letters patent on March 8, 2004. The Centre is an international initiative of His Highness the Aga Khan, 49th hereditary Imam of Ismaili Muslims, and the Aga Khan Development Network. Conceived as an international centre for the study, practice and teaching of pluralism, its core functions will include research, education, professional development, dialogue, governance reform and cultural exchange.

In 2006, the Government of Canada and His Highness the Aga Khan entered into a Funding Agreement to support the Centre. Pursuant to that agreement, the Centre took receipt of two major grants in 2007: a grant of \$30 million received from the Government of Canada and a donation of \$10 million received from His Highness the Aga Khan. His Highness the Aga Khan has also committed \$35 million toward the rehabilitation of 330 Sussex Drive, Ottawa, a federal heritage structure which the Government of Canada has made available as the Centre’s global headquarters. In 2016, the Government of Canada made an additional \$15 million grant to the Centre (of which \$7.5 million was received in 2016), maintaining a parity of contribution between the Government and His Highness in the initial financial support to the Centre.

The Centre is mandated to undertake activities which will fulfill its role as a global repository and source for knowledge and know-how about fostering pluralistic values, policies and practices in a variety of settings.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared by the Centre in Canadian dollars and in accordance with Part III of the Chartered Professional Accountants Canada [“CPA Canada”] Accounting *Handbook* – Accounting Standards for Not-For-Profit Organizations, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada and includes the significant accounting policies hereafter.

Donations and contributions

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year during which the related expenses are incurred. 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. Donations are recorded when received.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Investments and investment income

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Notes to financial statements

December 31, 2016

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations.

Program and project expenses

The Centre's expenses on programs and projects are recognized as incurred.

Furniture and equipment

Furniture and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period of three years.

Endowment Fund

The Endowment Fund [the "Fund"] has been established in accordance with the guidelines set out in the Funding Agreement with the Government of Canada. The agreement acknowledges that the contributions of both the Government of Canada and His Highness the Aga Khan must be capitalized in perpetuity, and only the revenue of the Fund is to be disbursed and used for the purposes of the Fund. Contributions to the Fund are recognized as a direct increase to net assets. Investment income related to the Fund is unrestricted and is recognized as revenue when earned.

3. Investments

As required by the Funding Agreement, the Board of Directors [the "Board"] approved a Statement of Investment Policy and the appointment of an investment advisor in November 2011. The Board approved the appointment of a portfolio manager and a custodian in May 2012. The Fund was transferred to the custodian in July 2012 and the Fund was invested by the portfolio manager in accordance with the Statement of Investment Policy by September 2012.

Investments consist of the following:

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------|
| | \$ | \$ |
| Cash and cash equivalents | 3,161,469 | 2,029,176 |
| Other fixed income | | |
| Investment in pooled fund | 29,161,105 | 24,502,346 |
| | 32,322,574 | 26,531,522 |
| Equities | | |
| Canadian | 17,306,903 | 13,859,635 |
| U.S. | 7,926,256 | 7,407,729 |
| Other international | 5,122,621 | 5,366,593 |
| | 30,355,780 | 26,633,957 |
| | 62,678,354 | 53,165,479 |

Notes to financial statements

December 31, 2016

4. Investment income

Investment income earned on the Centre's investments consist of the following:

| | 2016 \$ | 2015 \$ |
|------------------------|------------------|------------------|
| Interest | 711,929 | 687,583 |
| Dividends | 945,647 | 1,077,446 |
| Realized gains | 1,653,243 | 1,531,687 |
| Unrealized gain (loss) | 1,700,560 | (1,314,724) |
| | 5,011,379 | 1,981,992 |

5. Spending policy

The Centre is funded primarily from the investment income on an Endowment Fund established at its founding. The Board approves an annual expenditure budget from the Unrestricted Fund based on an established Spending Policy, which management then uses to budget its expenditures for the year. The Spending Policy is designed to provide a stable and predictable disbursement from the Unrestricted Fund to support the Centre and allow for multi-year planning, as well as to maintain the capacity of the funds to support the Centre in perpetuity. Therefore, it is expected that in any given year, actual investment income as reported on the statement of operations and changes in net assets may be greater or less than the Board-approved expenditure from the Endowment Fund, that determines the year's expenses.

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

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

| | 2016 \$ | 2015 \$ |
|--|----------------|------------------|
| Other receivables and prepaid expenses | 28,880 | (106,611) |
| Accounts payable and accrued liabilities | 316,032 | (212) |
| Deferred contributions | 24,241 | — |
| | 369,153 | (106,823) |

7. Contributed property

In 2007, the Centre and the National Capital Commission entered into a 99-year lease agreement for 330 Sussex Drive, Ottawa, for a nominal amount of \$1. The lease specifies that all costs related to the building, including renovation costs, operating costs and taxes, are to be borne by the lessee. Given the unique nature of the property and the consequent difficulties in assessing its fair market value, the lease has been valued at a nominal amount of \$1.

Notes to financial statements

December 31, 2016

Pursuant to a Funding Agreement signed between His Highness the Aga Khan and the Minister for Canadian Heritage in October 2006, His Highness the Aga Khan has committed to providing permanent institutional facilities for the Centre, and has agreed for that commitment to be realized through his support for the rehabilitation of the leased premises. The following table outlines the construction, operating and maintenance, precinct master plan and other related expenses incurred for the property at 330 Sussex Drive for the years ended December 31, 2016 and 2015, which have been funded separately through the Aga Khan Development Network.

| | 2016 \$ | 2015 \$ |
|---|--------------|-------------|
| Building construction, operating and maintenance, precinct master plan and other related expenses | 13,951,718 | 7,921,706 |
| Amount funded by the Aga Khan Development Network | (13,951,718) | (7,921,706) |
| | — | — |

8. Financial Instruments

The Centre is exposed to various financial risks through transactions in financial instruments. The Centre manages these risks through compliance with the Statement of Investment Policy approved by the Board. The Centre also monitors and mitigates its financial risks by reviewing periodically various financial and investment metrics.

Foreign currency risk

The Centre is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Centre is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

The Centre is exposed to interest rate risk with respect to its investments in fixed income investments and a pooled fund, which holds fixed income securities, the values of which will fluctuate with changes in market interest rates.

Other price risk

The Centre is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

