

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**

**FINANCIAL STATEMENTS**

**MARCH 31, 2012**

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**

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# Kemp Harvey Burch Kientz Inc.

Certified General Accountants  
A Member of Kemp Harvey Group Inc.

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## INDEPENDANT AUDITORS REPORT

To the members of Phoenix Foundation of the Boundary Communities

We have audited the accompanying financial statements of Phoenix Foundation of the Boundary Communities, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in fund balances and cash flow, 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.

### Auditor's 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 auditor's 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 auditor considers 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 Phoenix Foundation of the Boundary Communities as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

## Report on other legal and regulatory requirements

As required by the British Columbia Society Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Grand Forks, BC  
September 06, 2012

*Kemp Harvey Burch Kientz Inc.*  
CERTIFIED GENERAL ACCOUNTANTS

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

STATEMENT A

	Operations	Income, Grants and Flow Thru	Endowment	2012	2011
<b>REVENUES</b>					
Endowment contributions					
◆Agency	\$ -	\$ -	\$ 1,244	\$ 1,244	\$ 2,476
◆Community	-	-	10,579	10,579	10,182
◆Designated	-	-	2,000	2,000	4,148
◆Donor Advised	-	-	106,000	106,000	1,050
◆Field of Interest	-	-	200	200	554
◆Scholarship	-	-	20,270	20,270	10,249
Flow thru grants and contributions	-	52,009	-	52,009	60,282
Fundraising and other contributions	7,151	-	-	7,151	4,394
Investment income - Note 5	-	11,652	63,997	75,649	115,721
	<u>7,151</u>	<u>63,661</u>	<u>204,290</u>	<u>275,102</u>	<u>209,056</u>
<b>EXPENDITURES</b>					
Administrative and office services	9,500	-	-	9,500	9,843
Amortization	691	-	-	691	691
Board meetings	118	-	-	118	30
Fundraising costs	6,500	-	-	6,500	-
Insurance	875	-	-	875	294
Investment management fees	-	-	15,097	15,097	11,971
Membership dues	450	-	-	450	350
Office and general	386	-	-	386	184
Professional fees	2,324	-	-	2,324	1,876
Promotion and advertising	1,244	-	-	1,244	1,111
Public meetings and events	2,065	-	-	2,065	99
Travel and conferences	485	-	-	485	1,454
Vital Signs costs	-	-	-	-	195
Y Shift	-	500	-	500	1,226
	<u>24,638</u>	<u>500</u>	<u>15,097</u>	<u>40,235</u>	<u>29,324</u>
<b>AVAILABLE BEFORE DISTRIBUTIONS</b>	<b>(17,487)</b>	<b>63,161</b>	<b>189,193</b>	<b>234,867</b>	<b>179,732</b>
<b>DISTRIBUTIONS</b>					
Grants	-	31,102	-	31,102	23,295
Flow thru	-	51,669	-	51,669	96,760
	<u>-</u>	<u>82,771</u>	<u>-</u>	<u>82,771</u>	<u>120,055</u>
<b>EXCESS (DEFICIENCY) AFTER DISTRIBUTIONS</b>	<b>\$ (17,487)</b>	<b>\$ (19,610)</b>	<b>\$ 189,193</b>	<b>\$ 152,096</b>	<b>\$ 59,677</b>

See accompanying notes to financial statements

**Kemp Harvey Burch Kientz Inc.**

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2012**

STATEMENT B

	Operations	Income, Grants and Flow Thru	Endowment	2012	2011
Beginning balance	\$ 11,205	\$ 100,677	\$ 1,545,255	\$ 1,657,137	\$ 1,597,460
Excess (deficiency) after distributions - Statement A	<u>(17,487)</u>	<u>(19,610)</u>	<u>189,193</u>	<u>152,096</u>	<u>59,677</u>
	(6,282)	81,067	1,734,448	1,809,233	1,657,137
Interfund transfers - Note 6	<u>16,308</u>	<u>17,254</u>	<u>(33,562)</u>	<u>-</u>	<u>-</u>
	10,026	98,321	1,700,886	1,809,233	1,657,137

See accompanying notes to financial statements

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2012**

STATEMENT C

	Operations	Income, Grants and Flow Thru	Endowment	2012	2011
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 23,955	\$ 77,498	\$ -	\$ 101,453	\$ 102,655
Interest income receivable	104	10,775	5,352	16,231	15,101
Interfund receivable (payable)	(10,048)	10,048	-	-	-
Prepaid expenses	632	-	-	632	506
	<u>14,643</u>	<u>98,321</u>	<u>5,352</u>	<u>118,316</u>	<u>118,262</u>
INVESTMENTS - Notes 2 & 7	-	-	1,695,534	1,695,534	1,540,635
TANGIBLE CAPITAL ASSETS - Notes 2 & 8	<u>549</u>	<u>-</u>	<u>-</u>	<u>549</u>	<u>1,240</u>
	<u>\$ 15,192</u>	<u>\$ 98,321</u>	<u>\$ 1,700,886</u>	<u>\$ 1,814,399</u>	<u>1,660,137</u>

**LIABILITIES**

Accounts payable	\$ 5,166	\$ -	\$ -	\$ 5,166	\$ 3,000
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**FUND BALANCES** - Statement B

INVESTED IN TANGIBLE CAPITAL ASSETS	549	-	-	549	1,240
EXTERNALLY RESTRICTED - Note 9	-	24,385	1,683,739	1,708,124	1,577,538
INTERNALLY RESTRICTED - Note 10	-	43,390	-	43,390	18,225
UNRESTRICTED	<u>9,477</u>	<u>30,546</u>	<u>17,147</u>	<u>57,170</u>	<u>60,134</u>
	<u>10,026</u>	<u>98,321</u>	<u>1,700,886</u>	<u>1,809,233</u>	<u>1,657,137</u>
	<u>\$ 15,192</u>	<u>\$ 98,321</u>	<u>\$ 1,700,886</u>	<u>\$ 1,814,399</u>	<u>\$ 1,660,137</u>

APPROVED ON BEHALF OF THE FOUNDATION

\_\_\_\_\_  
 Director

\_\_\_\_\_  
 Director

See accompanying notes to financial statements

**Kemp Harvey Burch Kientz Inc.**

**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2012**

STATEMENT D

	Operations	Income, Grants and Flow Thru	Endowment	2012	2011
<b>OPERATIONS</b>					
Receipts from contributions and fundraising	\$ 7,151	\$ 52,009	\$ 140,293	\$ 199,453	\$ 93,334
Receipts from investment income	(104)	11,358	60,978	72,232	59,304
Payments to suppliers for goods and services	(21,907)	(500)	(15,098)	(37,505)	(27,632)
Distributions made	-	(82,771)	-	(82,771)	(120,055)
<b>CASH PROVIDED (USED)</b>	<b>(14,860)</b>	<b>(19,904)</b>	<b>186,173</b>	<b>151,409</b>	<b>4,951</b>
<b>INVESTMENTS</b>					
Proceeds (acquisition) of investments	-	-	(152,611)	(152,611)	(178,890)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(14,860)</b>	<b>(19,904)</b>	<b>33,562</b>	<b>(1,202)</b>	<b>(173,939)</b>
<b>BEGINNING CASH</b>	<b>25,103</b>	<b>77,552</b>	<b>-</b>	<b>102,655</b>	<b>276,594</b>
<b>INTERFUND TRANSFERS</b>	<b>13,712</b>	<b>19,850</b>	<b>(33,562)</b>	<b>-</b>	<b>-</b>
<b>ENDING CASH</b>	<b>\$ 23,955</b>	<b>\$ 77,498</b>	<b>\$ -</b>	<b>\$ 101,453</b>	<b>\$ 102,655</b>
<b>CASH REPRESENTED BY:</b>					
Cash	\$ 23,955	\$ 77,498	\$ -	\$ 101,453	\$ 102,655

See accompanying notes to financial statements



**PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2012**

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**Note 1 PURPOSE OF THE ORGANIZATION**

The purpose of the Foundation is to make the Boundary area a better place to live and work by distributing the earnings from a permanent ever-growing pool of funds.

The Foundation is incorporated under the *Society Act of British Columbia*. It is a registered charity within the definition of the *Income Tax Act* and therefore is exempt from income taxes and may issue charitable donation receipts to donors.

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**Note 2 SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Presentation**

The financial statements of the Foundation have been prepared, in accordance with Canadian accounting standards for not-for-profit organizations.

**b) Use of estimates**

When preparing financial statements, according to Canadian accounting standards for not-for-profit organizations, estimates are made and assumptions relating to:

- Reported amounts of revenue and expenditures
- Reported amounts of assets and liabilities
- Disclosure of contingent assets and liabilities

Assumptions are based on a number of factors including historical experience, current events, actions that the Foundation may undertake in the future, and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates are used when accounting for certain items such as accrued interest receivable, useful lives of capital assets, accrued liabilities.

**c) Fund accounting**

The Foundation uses the restricted fund method of accounting for contributions.

The Operations Fund reports the operating and administrative activities of the Foundation and includes contributions towards administrative activities, capital asset acquisitions and amortization and operating expenditures.

The Income, Grants and Flow Thru Fund reports investment income earned and designated for distribution, grants received for distribution, flow thru contributions and disbursements made and all other distributions.

Donations for endowment are recognized as revenue in the Endowment Fund. The Endowment Fund reports, income earned, gains and losses and management fees paid, on investments.

**d) Revenue recognition**

Unrestricted contributions are recognized as revenue of the Operations Fund in the year received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assumed.

Flow Thru grants and contributions are recognized as revenue in the Income, Grants and Flow Thru Fund.

Contributions for endowment and investment income earned from endowments are recognized as revenue in the Endowment Fund.

All other investment income is recognized as revenue in the Income, Grants and Flow Thru Fund.

**Note 2 SIGNIFICANT ACCOUNTING POLICIES , continued**

**e) Foreign currency translation**

Foreign currency denominated monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the Statement of Financial Position date. Foreign currency denominated non-monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect on the transaction date. Revenue and expenditure items are translated at the average exchange rate for the period. Foreign exchange gains or losses are included in the determination of excess of revenue and gains over expenditure and losses for the year.

**f) Contributed services**

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

**g) Investments**

The Foundation accounts for investments in publicly traded shares at fair value, determined using market prices on the stock exchanges at the statement of financial position date. The resulting unrealized gains or losses are reported in income. All investments are held at the Vancouver Foundation and TD Waterhouse, where the Foundation has no significant influence.

**h) Amortization**

Amortization of tangible capital assets has been recorded using the straight line method over the following period of time, prorated for the number of months of ownership:

Furniture and equipment	10 years
Computer equipment	3 years

Impairment of tangible capital assets is reviewed whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized for the excess of the carrying value over the fair value of the asset, during the year the impairment occurred.

**g) Comparative figures**

Certain prior year comparative figures have been adjusted where applicable to conform with the presentation used in the current year.

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**Note 3 ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

The financial statements for the year ended March 31, 2012 are the first financial statements that are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The financial statements for the year ended March 31, 2011 were previously prepared in accordance with the former Canadian generally accepted accounting principles in the Handbook – Accounting Part V Pre-changeover standards (previous GAAP). Under ASNPO provisions as set out in Section 1501 First-Time Adoption, the date of transition is the beginning of the fiscal period for comparative information. Therefore, the transition date for the Foundation is April 1, 2010, the beginning of the fiscal period ended March 31, 2011. An opening statement of financial position at April 1, 2010 prepared in accordance with ASNPO, which is adjusted from the previously reported statement of financial position at March 31, 2011, is presented on the statement of financial position.

In accordance with the first time adoption provisions the Foundation has elected to measure all investments at fair market value.

<b>Reconciliation of Excess (deficiency) after distributions for the year ended March 31, 2011 under previous GAAP to ASNPO</b>	
Excess (deficiency) after distributions under previous GAAP	\$ (18,781)
Add:	
Change in investment income	<u>78,458</u>
Excess (deficiency) after distributions under ASNPO	\$ 59,677

**Note 4 FINANCIAL INSTRUMENTS**

The Foundation's financial instruments consist of cash, interest receivable, marketable securities and accounts payable. It is the opinion of management that The Foundation is exposed to financial risks that arise from systematic market risk, unsystematic individual securities risk, credit risk, liquidity risk and the fluctuation of currency exchange rates and interest rates.

**Systematic market risk**

The Foundation is exposed to financial risk that arises from systematic market risk as the result of investments in marketable securities subject to public stock and bond market fluctuations and volatility. Interest rates, recession and wars all represent sources of systematic risk because they affect the entire market and cannot be avoided through diversification.

**Unsystematic market risk**

Unsystematic risk affects a very specific group of securities or an individual security. The diversification of the Foundation's investments provides protection from unsystematic risk but the risk still remains.

**Credit risk**

Credit risk is the risk that a company or government will be unable to pay the contractual interest or principal on its debt obligations to the Foundation. Cash, interest receivable and marketable securities are potentially impacted. Cash is held with reputable and major financial institutions. Other interest bearing investments are issued by high-credit corporations, financial institutions and governments. The risk of non-performance of these instruments is normally considered to be remote.

**Liquidity risk**

The Foundation is exposed to liquidity risk in meeting its obligations associated with financial liabilities, which is dependent on receipt of funds from contributors.

**Note 4 FINANCIAL INSTRUMENTS , continued**

**Currency risk**

The exposure to currency risk is the result of a approximately 12% of the fair value of marketable securities being held in foreign currency with the resulting revenues being incurred in foreign currency. These balances are therefore subject to gain or losses due to fluctuations in that currency.

**Interest rate risk**

The Foundation is exposed to the risk that an investment's value will change as a result of a change in interest rates. The risk affects the value of bonds and other fixed income investments more directly than stocks. Bonds and fixed income investments comprise approximately 50% of the fair value of the marketable securities held.

**Fair value**

The cash, interest receivable and accounts payable are short-term financial instruments whose fair value approximates their carrying values.

The investments are long-term financial instruments and are shown at fair market values.

**Note 5 INVESTMENT INCOME**

	Operations	Income, Grants and Flow Thru	Endowment	2012	2011
Interest and dividends	\$ -	\$ 11,652	\$ 61,710	\$ 73,362	\$ 63,732
Realized gains (losses)	-	-	34,228	34,228	(26,469)
Unrealized gains (losses)	-	-	(31,941)	(31,941)	78,458
	<u>\$ -</u>	<u>\$ 11,652</u>	<u>\$ 63,997</u>	<u>\$ 75,649</u>	<u>\$ 115,721</u>

**Note 6 INTERFUND TRANSFERS**

	Operations	Income, Grants and Flow Thru	Endowment
2010 administration fees	\$ 10,431	\$ (10,431)	\$ -
Flow Thru funds transferred to endowment	-	(15,500)	15,500
Distributions	-	51,963	(51,963)
Distributions for operating activities	3,239	(3,239)	-
Distributions transferred back to endowments	-	(2,901)	2,901
Micellaneous fund transfers	2,638	(2,638)	-
	<u>\$ 16,308</u>	<u>\$ 17,254</u>	<u>\$ (33,562)</u>

**Note 7 INVESTMENTS**

	2012	2011
<b>Vancouver Foundation</b>		
Endowment Fund, before adjustment to fair value	\$ 317,292	\$ 317,292
<b>TD Waterhouse</b>		
Cash and securities, before adjustment to fair value	1,412,539	1,220,987
Allowance for unrealized gains (losses) on investments	<u>(34,297)</u>	<u>2,356</u>
	<b>\$ 1,695,534</b>	<b>\$ 1,540,635</b>

**Note 8 TANGIBLE CAPITAL ASSETS**

	Cost	Accumulated Amortization	Net Book Value	
			2012	2011
Computer equipment	\$ 2,002	\$ 1,597	\$ 405	\$ 1,065
Furniture and equipment	<u>299</u>	<u>155</u>	<u>144</u>	<u>175</u>
	<b>2,301</b>	<b>1,752</b>	<b>549</b>	<b>\$ 1,240</b>

**Note 9 EXTERNALLY RESTRICTED FUNDS**

The fund balances in the Income, Grants and Flow Thru Fund are restricted for future distributions in accordance with the agreement established with the donor.

The fund balances in the Endowment Fund are restricted, at the request of the donors, or were earned through fundraising activities, for the purpose of being held in perpetuity.

**Note 10 INTERNALLY RESTRICTED FUNDS**

The fund balances in the Income, Grants and Flow Thru Fund consist of funds approved by the Board of Directors for specific grants.