

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

FINANCIAL STATEMENTS

MARCH 31, 2011

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Kemp Harvey Burch Kientz Inc.

Certified General Accountants
A Member of Kemp Harvey Group Inc.

J. R. (Jim) Burch, FCGA
Sylvia Burch, CGA
K. Sarah Kientz, CGA
Tel: 250.442.2121
Fax: 250.442.5825

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, 2011, and the statement of operations, statement of changes in fund balances and statement of cash flows, 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 generally accepted accounting principles 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, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles 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, 2011

Kemp Harvey Burch Kientz Inc.
CERTIFIED GENERAL ACCOUNTANTS

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2011

STATEMENT A

	Operations	Income, Grants and Flow Thru	Endowment	2011	2010
REVENUES					
Endowment contributions					
◆Agency	\$ -	\$ -	\$ 2,476	\$ 2,476	\$ 280
◆Community	-	-	10,182	10,182	8,348
◆Designated	-	-	4,148	4,148	3,226
◆Donor Advised	-	-	1,050	1,050	100,920
◆Field of Interest	-	-	554	554	2,624
◆Scholarship	-	-	10,249	10,249	3,150
Flow thru grants and contributions	-	60,282	-	60,282	84,270
Fundraising and other contributions	4,394	-	-	4,394	3,810
Investment income	-	11,624	52,108	63,732	67,130
Realized gains (losses) on investments	-	-	(26,469)	(26,469)	32,898
	<u>4,394</u>	<u>71,906</u>	<u>54,298</u>	<u>130,598</u>	<u>306,656</u>
EXPENDITURES					
Administrative and office services	9,843	-	-	9,843	5,030
Amortization	691	-	-	691	305
Board meetings	30	-	-	30	-
Insurance	294	-	-	294	-
Investment management fees	-	-	11,972	11,972	10,326
Membership dues	350	-	-	350	358
Office and general	183	-	-	183	168
Professional fees	1,876	-	-	1,876	1,759
Promotion and advertising	1,111	-	-	1,111	250
Public meetings and events	99	-	-	99	-
Success by Six program costs	-	-	-	-	129
Travel and conferences	1,454	-	-	1,454	-
Vital Signs costs	-	195	-	195	12,665
Web partnership costs	-	-	-	-	19,260
Y Shift funding	-	1,226	-	1,226	-
	<u>15,931</u>	<u>1,421</u>	<u>11,972</u>	<u>29,324</u>	<u>50,250</u>
AVAILABLE BEFORE DISTRIBUTIONS	(11,537)	70,485	42,326	101,274	256,406
DISTRIBUTIONS					
Grants	-	23,295	-	23,295	6,250
Flow thru	-	96,760	-	96,760	34,690
	-	120,055	-	120,055	40,940
EXCESS (DEFICIENCY) AFTER DISTRIBUTIONS	\$ (11,537)	\$ (49,570)	\$ 42,326	\$ (18,781)	\$ 215,466

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, 2011

STATEMENT B

	Operations	Income, Grants and Flow Thru	Endowment	2011	2010
Beginning balance	\$ 51,617	\$ 128,386	\$ 1,498,272	\$ 1,678,275	\$ 1,462,809
Prior year unrealized gains (losses)	-	-	(80,815)	(80,815)	(246,890)
	51,617	128,386	1,417,457	1,597,460	1,215,919
Excess (deficiency) after distributions - Statement A	(11,537)	(49,570)	42,326	(18,781)	215,466
	40,080	78,816	1,459,783	1,578,679	1,431,385
Current year unrealized gains (losses)	-	-	78,459	78,459	166,075
Interfund transfers - Note 4	(28,874)	21,861	7,013	-	-
	11,206	100,677	1,545,255	1,657,138	1,597,460

See accompanying notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

STATEMENT C

	Operations	Income, Grants and Flow Thru	Endowment	2011	2010
ASSETS					
CURRENT ASSETS					
Cash	\$ 25,103	\$ 77,552	\$ -	\$ 102,655	\$ 276,594
Interest income receivable	-	10,482	4,620	15,102	10,671
Interfund receivable (payable)	(12,643)	12,643	-	-	-
Prepaid expenses	507	-	-	507	-
	<u>12,967</u>	<u>100,677</u>	<u>4,620</u>	<u>118,264</u>	<u>287,265</u>
INVESTMENTS - Notes 2 & 5	-	-	1,540,635	1,540,635	1,310,264
CAPITAL ASSETS - Notes 2 & 6	<u>1,240</u>	<u>-</u>	<u>-</u>	<u>1,240</u>	<u>1,931</u>
	<u>\$ 14,207</u>	<u>\$ 100,677</u>	<u>\$ 1,545,255</u>	<u>\$ 1,660,139</u>	<u>1,599,460</u>

LIABILITIES

Accounts payable	\$ 3,001	\$ -	\$ -	\$ 3,001	\$ 2,000
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FUND BALANCES - Statement B

INVESTED IN CAPITAL ASSETS	1,240	-	-	1,240	1,931
EXTERNALLY RESTRICTED - Note 7	-	40,125	1,582,290	1,622,415	1,571,721
INTERNALLY RESTRICTED - Note 8	-	18,225	-	18,225	8,500
UNRESTRICTED	<u>9,966</u>	<u>42,327</u>	<u>(37,035)</u>	<u>15,258</u>	<u>15,308</u>
	<u>11,206</u>	<u>100,677</u>	<u>1,545,255</u>	<u>1,657,138</u>	<u>1,597,460</u>
	<u>\$ 14,207</u>	<u>\$ 100,677</u>	<u>\$ 1,545,255</u>	<u>\$ 1,660,139</u>	<u>\$ 1,599,460</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, 2011

STATEMENT D

	Operations	Income, Grants and Flow Thru	Endowment	2011	2010
OPERATIONS					
Receipts from contributions and fundraising	\$ 4,393	\$ 60,281	\$ 28,658	\$ 93,332	\$ 206,629
Receipts from investment income	-	11,816	52,108	63,924	64,114
Payments to suppliers for goods and services	(14,746)	(1,421)	(11,971)	(28,138)	(49,946)
Distributions made	-	(120,055)	-	(120,055)	(40,939)
CASH PROVIDED (USED)	(10,353)	(49,379)	68,795	9,063	179,858
INVESTMENTS					
Proceeds (acquisition) of investments	-	-	(183,002)	(183,002)	(17,302)
Acquisition of capital assets	-	-	-	-	(2,002)
CASH USED	-	-	(183,002)	(183,002)	(19,304)
DECREASE IN CASH	(10,353)	(49,379)	(114,207)	(173,939)	160,554
BEGINNING CASH	62,926	106,474	107,193	276,594	116,039
INTERFUND TRANSFERS	(27,470)	20,457	7,014	-	-
ENDING CASH	\$ 25,103	\$ 77,552	\$ -	\$ 102,655	\$ 276,593

See accompanying notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

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 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.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements of the Foundation have been prepared, in accordance with Canadian generally accepted accounting principles, on a going-concern basis which assumes that the Foundation will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going-concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities, the reported revenues and expenditures, and the statement of financial position classifications used.

b) Use of estimates

When preparing financial statements, according to Canadian generally accepted accounting principles, 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 useful lives of capital assets and impairment of long-lived assets.

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. Investment income and realized gains and losses on investments are recorded as income. The Endowment Fund reports investment income earned, and investment management fees paid.

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

Using the temporal method, foreign monetary assets and liabilities are translated into Canadian dollars at the rates of exchange in effect at the date of the Statement of Financial Position. Non-monetary items are translated at historical rates unless they are shown at fair market value in which case they are translated at the rates of exchange in effect at the date of the Statement of Financial Position. Revenue and expenditures are translated using the average exchange rate for the period.

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

In accordance with Section 3856 Financial Instruments of the Canadian Institute of Chartered Accountants (CICA) handbook, the Foundation has designated all investments held at the Vancouver Foundation and TD Waterhouse where, the Foundation has no significant influence, as available-for-sale investments and reports them at fair value. Unrealized gains and losses are recognized in the Statement of Changes in Fund Balances.

h) Amortization

Amortization of 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 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

Prior year figures, have been reclassified, where applicable, to conform to current presentation.

Note 3 FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, interest receivable, marketable securities and accounts payable. Unless otherwise noted, it is the opinion of management that the Foundation is not exposed to significant credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

The Foundation is exposed to financial risks that arise from systematic market risk, unsystematic individual securities 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.

Note 3 FINANCIAL INSTRUMENTS , continued

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.

Currency risk

The exposure to currency risk is the result of a approximately 8% 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 4 INTERFUND TRANSFERS

	Operations	Income, Grants and Flow Thru	Endowment
Transfer of 2010 administration fees for Operations	\$ 8,648	\$ (8,648)	\$ -
Transfer of funds for distribution	(43,238)	43,238	-
Distributions for operating activities	4,648	(4,648)	-
Distributions transferred back to endowments	-	(2,930)	2,930
Micellaneous fund transfers	1,068	(5,151)	4,083
	<u>\$ (28,874)</u>	<u>\$ 21,861</u>	<u>\$ 7,013</u>

Note 5 INVESTMENTS

	2011	2010
Vancouver Foundation		
Endowment Fund, before adjustment to fair value	\$ 317,292	\$ 317,160
TD Waterhouse		
Cash and securities, before adjustment to fair value	1,220,987	1,073,919
Unrealized gains (losses) on investments	<u>2,356</u>	<u>(80,815)</u>
	\$ 1,540,635	\$ 1,310,264

Note 6 CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2011	2010
Computer equipment	\$ 2,002	\$ 936	\$ 1,066	\$ 1,727
Furniture and equipment	<u>299</u>	<u>125</u>	<u>174</u>	<u>204</u>
	2,301	1,061	1,240	\$ 1,931

Note 7 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 8 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.