

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Financial Statements

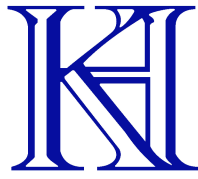
Year Ended March 31, 2018

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Index to Financial Statements

Year Ended March 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	
FINANCIAL STATEMENTS	
Statement of Operations	1
Statement of Changes in Fund Balances	2
Statement of Financial Position	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 11



KH BURCH KIENTZ INC.

Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Directors 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, 2018 and the statements of operations, changes in fund balances 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.

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

(continues)

Independent Auditor's Report to the Directors of Phoenix Foundation of the Boundary Communities *(continued)*

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, 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.

Report on other Legal and Regulatory Matter

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

Grand Forks, British Columbia
September 19, 2018

KH Burch Kientz Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Operations

Year Ended March 31, 2018

	Operations	Income, Grants and Flow Thru	Endowment	2018	2017
REVENUES					
Endowment contributions	\$ -	\$ -	\$ 105,768	\$ 105,768	\$ 341,885
Grants, contributions and fundraising (Note 3)	5,250	54,820	-	60,070	67,283
Investment income (Note 4)	-	16,876	9,439	26,315	321,674
Transfers from (to) deferred contributions (Note 8)	(1,156)	-	-	(1,156)	(6,683)
	<u>4,094</u>	<u>71,696</u>	<u>115,207</u>	<u>190,997</u>	<u>724,159</u>
EXPENDITURES					
Administration and bookkeeping	7,805	-	-	7,805	10,466
Amortization of tangible assets	167	-	-	167	249
Audit and legal	3,542	-	-	3,542	3,326
Insurance	1,055	-	-	1,055	1,055
Investment management fees	-	-	18,030	18,030	21,993
Meetings and events	1,619	-	-	1,619	809
Memberships	724	-	-	724	669
Office	977	-	-	977	861
Promotion and advertising	1,789	-	-	1,789	3,887
Travel and conference	1,641	-	-	1,641	4,413
Telus, Youth & Technology	245	-	-	245	-
Vancouver Foundation Initiatives	3,371	-	-	3,371	5,194
Vital Signs	1,000	-	-	1,000	1,698
Youth program	274	-	-	274	1,887
	<u>24,209</u>	<u>-</u>	<u>18,030</u>	<u>42,239</u>	<u>56,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE DISTRIBUTIONS	(20,115)	71,696	97,177	148,758	667,652
DISTRIBUTIONS	-	111,575	-	111,575	116,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (20,115)</u>	<u>\$ (39,879)</u>	<u>\$ 97,177</u>	<u>\$ 37,183</u>	<u>\$ 551,270</u>

See notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Changes in Fund Balances

Year Ended March 31, 2018

	Operations	Income, Grants and Flow Thru	Endowment	2018	2017
FUND BALANCES - BEGINNING OF YEAR	\$ 43,351	\$ 61,265	\$ 2,844,374	\$ 2,948,990	\$ 2,397,720
Excess of revenues over expenditures	(20,115)	(39,879)	97,177	37,183	551,270
Interfund transfers (Note 5)	35,286	51,526	(86,812)	-	-
FUND BALANCES - END OF YEAR	\$ 58,522	\$ 72,912	\$ 2,854,739	\$ 2,986,173	\$ 2,948,990

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Financial Position

March 31, 2018

	Operations	Income, Grants and Flow Thru	Endowment	2018	2017
ASSETS					
CURRENT					
Cash and banks	\$ 76,308	\$ -	\$ -	\$ 76,308	\$ 56,733
Goods and services tax recoverable	2,314	-	-	2,314	1,578
Prepaid expenses	752	-	-	752	751
Interfund receivables (payables) (Note 5)	1,765	(2,765)	1,000	-	-
	81,139	(2,765)	1,000	79,374	59,062
TANGIBLE CAPITAL ASSETS (Note 6)	338	-	-	338	504
RESTRICTED CASH & INVESTMENTS, at market value (Note 7)	1,218	75,677	2,853,739	2,930,634	2,915,594
	\$ 82,695	\$ 72,912	\$ 2,854,739	\$ 3,010,346	\$ 2,975,160

LIABILITIES AND FUND BALANCES

CURRENT					
Accounts payable	\$ 4,916	\$ -	\$ -	\$ 4,916	\$ 8,070
Deferred contributions (Note 8)	19,257	-	-	19,257	18,100
	24,173	-	-	24,173	26,170
FUND BALANCES					
Unrestricted net assets	53,375	-	-	53,375	37,496
Internally restricted net assets (Note 9)	5,147	59,714	29,147	94,008	84,197
Externally restricted net assets (Note 10)	-	13,198	2,825,592	2,838,790	2,827,297
	58,522	72,912	2,854,739	2,986,173	2,948,990
	\$ 82,695	\$ 72,912	\$ 2,854,739	\$ 3,010,346	\$ 2,975,160

APPROVED BY THE DIRECTORS

_____ Director

_____ Director

See notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Cash Flows

Year Ended March 31, 2018

	Operations	Income, Grants and Flow Thru	Endowment	2018	2017
OPERATING ACTIVITIES					
Cash receipts from contributions and investments	\$ 5,237	\$ 62,034	\$ 224,207	\$ 291,477	\$ 451,812
Cash paid to suppliers	(27,197)	-	(18,030)	(45,227)	(53,976)
Distributions	-	(111,575)	-	(111,575)	(116,382)
Goods and services tax	(736)	-	-	(736)	(890)
Cash flow from operating activities	(22,696)	(49,541)	206,177	133,939	280,564
INVESTING ACTIVITY					
Marketable securities, net purchases	-	-	(114,365)	(114,365)	(271,138)
Cash flow from (used by) investing activity	-	-	(114,365)	(114,365)	(271,138)
FINANCING ACTIVITIES					
Interfund transfers	35,286	51,526	(86,812)	-	-
Interfund receivables (payables)	6,985	(1,985)	(5,000)	-	-
Cash flow from (used by) financing activities	42,271	49,541	(91,812)	-	-
INCREASE IN CASH FLOW	19,575	-	-	19,574	9,426
Cash - beginning of year	56,733	-	-	56,733	47,307
CASH - END OF YEAR	76,308	-	-	76,307	56,733
CASH CONSISTS OF:					
Cash and banks	\$ 76,308	\$ -	\$ -	\$ 76,308	\$ 56,733

See notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

I. PURPOSE OF THE FOUNDATION

Phoenix Foundation of the Boundary Communities (the "Foundation") is a not-for-profit organization incorporated under the Societies Act of British Columbia. As a registered charity the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Foundation's mission is "Building a Better Boundary".

The Foundation fulfills this mission by:

- Perpetuity - Establishing a growing capital fund whose earnings will be used to meet a wide range of local charitable needs and interests;
 - Development - Attracting contributions in the form of permanent endowments either with or without restriction or designation;
 - Investment - Maintaining the purchasing power of funds entrusted to the Foundation while achieving maximum returns consistent with prudent investment;
 - Grant-making - Making wise and effective distributions to meet the communities' needs while respecting specific directions of the donors;
 - Community Leadership - Providing leadership to the communities in identifying problems, opportunities and appropriate responses.
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

Fund accounting

Phoenix Foundation of the Boundary Communities follows the restricted fund method of accounting for contributions.

The Operating Fund reports the charitable projects, operating and administrative activities of the Foundation. It includes capital asset acquisitions and amortization, charitable projects and, operating and administrative contributions and 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, 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 endowment investments.

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PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Foundation's financial instruments consist of cash, restricted cash, accounts receivables, investments, accounts payable and deferred contributions. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at cost less impairment include cash, accounts receivables, accounts payable and deferred contributions.

Investments for which there are quoted prices in an active market are carried at fair value.

Restricted cash and investments for which there is not an active market, are carried at cost plus accrued income.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. The main estimates include accrued interest receivable, market value of investments, useful lives of tangible capital assets and their amortization rates, and accrued liabilities.

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.

Restricted contributions for charitable projects and operating activities of the Foundation are recognized as revenue in the Operations Fund in the year in which related expenses are incurred.

Fundraising is recognized as revenue of the Operations Fund in the year received.

Investment income relating to the Operations Fund accounts is recorded when it is 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 in the year received.

Contributions to be held in perpetuity are recognized as revenue in the Endowment Fund in the year received.

Investment income, in the form of dividends, interest, foreign exchange and, realized and unrealized gains and losses, is recognized as revenue in the appropriate Fund, when it is received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assumed. Unrealized investment gains and losses are reported based on the the year end fair market value of the investments.

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PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Investments

Investments for which there are quoted prices in an active market are carried at fair value, determined using market prices on the stock exchanges at the year end date. The unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Funds transferred to other Community Foundations to be held in perpetuity, with all future distributions coming back to the Foundation, are reported as investments at their fair market value in the statement of financial position. Distributions received are reported as investment income. Changes in the value of the fund are reported as unrealized gain or losses as part of net income.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Computer equipment	33%
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The Foundation regularly reviews its tangible capital assets to eliminate obsolete items.

Contributed services

The operations of the organization depend on the contribution of time by volunteers. The fair value of services cannot be reasonably determined and is therefore not reflected in these financial statements.

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

3. GRANTS, CONTRIBUTIONS AND FUNDRAISING

	2018	2017
Operations		
Youth Coordinator	\$ 3,000	\$ 3,000
Vancouver Foundation	2,250	4,230
Telus, Youth & Technology	-	5,000
YSHIFT donation	-	5,303
	<u>5,250</u>	<u>17,533</u>
Income, Grants & Flow Thru		
Success by Six	49,670	49,670
Fundraising, Success by Six	-	80
Community Foundations of Canada	5,150	-
	<u>54,820</u>	<u>49,750</u>
	<u>\$ 60,070</u>	<u>\$ 67,283</u>

4. INVESTMENT INCOME

	2018	2017
Interest and dividends	\$ 91,088	\$ 82,053
Realized gains (losses)	36,659	34,515
Unrealized gains (losses)	(149,328)	150,870
Realized exchange gain (losses)	5,572	(297)
Unrealized exchange gains (losses)	42,324	54,533
	<u>\$ 26,315</u>	<u>\$ 321,674</u>

5. INTERFUND TRANSFERS

Interfund transfers are reported in the statement of changes in fund balances. The interfund transfers for the current year consisted of administration fees from the Endowment fund to the Operating fund. The interfund transfers also consisted of distributions from the Endowment fund to the Income, Grants & Flow Thru fund.

Inter-fund loans have no conditions or fixed terms of repayment.

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 1,347	\$ 1,009	\$ 338	\$ 504

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

7. RESTRICTED CASH & INVESTMENTS

	2018	2017
Vancouver Foundation	\$ 375,775	\$ 372,414
National Bank, Canadian	2,288,391	2,248,641
National Bank, US	193,696	226,261
Grand Forks Credit Union	72,772	68,278
	<u>\$ 2,930,634</u>	<u>\$ 2,915,594</u>

The Foundation transferred asset to the Vancouver Foundation to be held in perpetuity for the benefit of the Foundation. The future benefit of these funds is retained by the Foundation. The Vancouver Foundation exercises discretionary control over the investment of these funds through external investment fund managers. The Foundation receives an income payment on an annual basis.

8. DEFERRED CONTRIBUTIONS

Deferred contributions are restricted to purposes determined by the funder or donor.

	2018	Additions (expenditures)	2017
Youth Program	\$ 8,283	\$ 2,401	\$ 5,881
Vital Signs	6,219	(1,000)	7,219
Telus - Youth & Technology	4,755	(245)	5,000
	<u>\$ 19,257</u>	<u>\$ 1,156</u>	<u>\$ 18,100</u>

9. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are amounts designated by the Board of Directors for future purposes. These restrictions can be changed by the Board of Directors.

	2018	2017
Operations		
Equipment replacement	\$ 1,518	\$ 1,105
Board convening	3,629	4,750
	<u>\$ 5,147</u>	<u>\$ 5,855</u>
Income, Grants and Flow Thru		
Grants	\$ 59,208	\$ 34,683
Available for distribution	506	14,512
	<u>\$ 59,714</u>	<u>\$ 49,195</u>

The fund balance in the Endowment Fund consist of funds set aside by the Board of Directors to be held in perpetuity.

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

10. EXTERNALLY RESTRICTED NET ASSETS

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

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.

11. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework, including risks related to financial management of assets. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2018.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk through its investments. In order to reduce its credit risk, the Foundation has a diversified investment portfolio held with a reputable financial institution, directly or through the Vancouver Foundation.

(b) Market risk

Market Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices. The objective of the portfolio fund managers is to manage and control market risk while maximizing returns.

- Currency rate risk

Currency risk is that the risk that fair value of a financial instrument will fluctuate due to change in foreign exchange rates. The exposure to currency risk is the result of approximately 7% (8% - 2017) of the fair value of investments are being held in foreign currency with the resulting revenues being incurred in foreign currency.

- Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. The risk affects the value of bonds and other fixed income investments more directly than stocks. Bonds and fixed income investments comprise of approximately 41% (36% - 2017) of the fair value of the investments held. Duration is a common measure of sensitivity of possible interest rate changes, therefore the Foundation's portfolio has bonds of varying duration to mitigate this risk.

- Equity price risk

Equity price risk is the risk that the fair value of the equity financial instrument will fluctuate due to changes in market prices. This risks affects the investments in preferred and common stock which comprise of approximately 56.7% (58.8% - 2017) of the fair value of investments held. This risk is mitigated by maintaining a diversified portfolio across geographic and industry sectors.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant other price risks arising from these financial instruments.

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2018

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
