

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Financial Statements

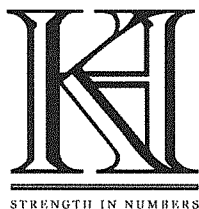
Year Ended March 31, 2019

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

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KH BURCH KIENTZ INC.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Phoenix Foundation of the Boundary Communities

Report on the Financial Statements

Opinion

We have audited the financial statements of Phoenix Foundation of the Boundary Communities (the Foundation), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

(continues)

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grand Forks, British Columbia
August 21, 2019

KH Burch Kientz Inc.
CHARTERED PROFESSIONAL ACCOUNTANTS

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Operations

Year Ended March 31, 2019

	Operations	Income, Grants and Flow Thru	Endowment	2019	2018
REVENUES					
Endowment contributions	\$ -	\$ -	\$ 58,506	\$ 58,506	\$ 105,768
Grants, contributions and fundraising (Note 3)	1,000	37,687	-	38,687	60,070
Investment income (Note 4)	-	19,598	147,562	167,160	26,315
Transfers from (to) deferred contributions (Note 8)	(571)	-	-	(571)	(1,156)
	429	57,285	206,068	263,782	190,997
EXPENDITURES					
Administration and bookkeeping	7,788	-	-	7,788	7,806
Amortization of tangible assets	453	-	-	453	167
Audit and legal	4,147	-	-	4,147	3,542
Insurance	1,534	-	-	1,534	1,055
Investment management fees	-	-	19,092	19,092	18,029
Meetings and events	1,957	-	-	1,957	1,619
Memberships	1,887	-	-	1,887	724
Office	688	-	-	688	977
Promotion and advertising	702	-	-	702	1,789
Travel and conference	3,440	-	-	3,440	1,641
Telus, Youth & Technology	-	-	-	-	245
Vancouver Foundation Initiatives	1,191	-	-	1,191	3,371
Vital Signs	-	-	-	-	1,000
Youth program	83	-	-	83	274
	23,870	-	19,092	42,962	42,239
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE DISTRIBUTIONS	(23,441)	57,285	186,976	220,820	148,758
DISTRIBUTIONS	-	130,554	-	130,554	111,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (23,441)	\$ (73,269)	\$ 186,976	\$ 90,266	\$ 37,183

See accompanying notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Changes in Fund Balances

Year Ended March 31, 2019

	Operations	Income, Grants and Flow Thru	Endowment	2019	2018
FUND BALANCES - BEGINNING OF YEAR					
Excess (deficiency) of revenues over expenditures	\$ 58,523	\$ 72,911	\$ 2,854,738	\$ 2,986,172	\$ 2,948,989
Interfund transfers	(23,441)	(73,269)	186,976	90,266	37,183
	34,372	82,916	(117,288)	-	-
FUND BALANCES - END OF YEAR	\$ 69,454	\$ 82,558	\$ 2,924,426	\$ 3,076,438	\$ 2,986,172

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Financial Position

March 31, 2019

ASSETS

CURRENT

Cash and banks	\$	91,074	\$	-	\$	-	\$	91,074	\$	76,308
Goods and services tax recoverable		721		-		-		721		2,314
Prepaid expenses		1,564		-		-		1,564		751
Interfund receivables (payables)		1,185		(2,185)		1,000		-		-

TANGIBLE CAPITAL ASSETS (Note 6)

		94,544		(2,185)		1,000		93,359		79,373
		1,954		-		-		1,954		338
		(376)		84,743		2,923,426		3,007,793		2,930,633
RESTRICTED CASH & INVESTMENTS, at market value	\$	96,122	\$	82,558	\$	2,924,426	\$	3,103,106	\$	3,010,344

LIABILITIES AND FUND BALANCES

CURRENT

Accounts payable	\$	6,841	\$	-	\$	-	\$	6,841	\$	4,915
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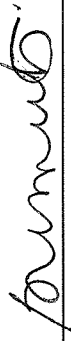
DEFERRED CONTRIBUTIONS (Note 8)

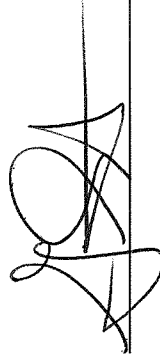
		19,827		-		-		19,827		19,257
		26,668		-		-		26,668		24,172

FUND BALANCES

Unrestricted net assets		65,825		-		-		65,825		53,375
Internally restricted net assets (Note 9)		3,629		74,749		29,147		107,525		94,008
Externally restricted net assets (Note 10)		-		7,809		2,895,279		2,903,088		2,838,789
		69,454		82,558		2,924,426		3,076,438		2,986,172
	\$	96,122	\$	82,558	\$	2,924,426	\$	3,103,106	\$	3,010,344

APPROVED BY THE DIRECTORS

 Director

 Director

See accompanying notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Statement of Cash Flows

Year Ended March 31, 2019

	Operations	Income, Grants and Flow Thru	Endowment	2019	2018
OPERATING ACTIVITIES					
Cash receipts from contributions and investments	\$ 1,000	\$ 57,426	\$ 181,552	\$ 239,978	\$ 291,478
Cash paid to suppliers	(22,305)	-	(19,092)	(41,397)	(45,227)
Distributions	-	(130,554)	-	(130,554)	(111,575)
Goods and services tax	1,593	-	-	1,593	(736)
Cash flow from operating activities	(19,712)	(73,128)	162,460	69,620	133,940
INVESTING ACTIVITIES					
Purchase of tangible capital assets	(2,068)	-	-	(2,068)	-
Marketable securities, net	1,594	(9,208)	(45,172)	(52,786)	(114,365)
Cash flow used by investing activities	(474)	(9,208)	(45,172)	(54,854)	(114,365)
FINANCING ACTIVITIES					
Interfund transfers	34,372	82,916	(117,288)	-	-
Interfund receivables (payables)	580	(580)	-	-	-
Cash flow from (used by) financing activities	34,952	82,336	(117,288)	-	-
INCREASE IN CASH FLOW					
Cash - beginning of year	14,766	-	-	14,766	19,575
	76,308	-	-	76,308	56,733
CASH - END OF YEAR	91,074	-	-	91,074	76,308
CASH CONSISTS OF:					
Cash and banks	\$ 91,074	\$ -	\$ -	\$ 91,074	\$ 76,308

See accompanying notes to financial statements

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2019

1. 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 purposes of the Foundation is to operate as a charitable institution, without profit to its members, for promoting and encouraging the development or establishment of activities or endeavours within the areas served by the Foundation in the field of education, culture, athletics, and social betterment of those living within the general territorial jurisdiction of the Foundation:

- a) to make the Boundary area a better place in which to live and work, and to continue to search out the areas of highest need, dedicated to an ever-improving quality of life and ever-increasing pride in the Boundary communities;
 - b) to ensure that there is a healthy, supportive environment in which children and youth of the Boundary region can flourish;
 - c) to support social services to advance the welfare of people in need and to alleviate human suffering and poverty;
 - d) to advance community education through the establishment of scholarship funds and the funding of specific educational endeavours;
 - e) to assist and promote the arts and cultural activities including, without limitations, theatre, dance, literature, film and video, music, painting and sculpture;
 - f) to support and advance other community activities or facilities of a charitable nature;
 - g) to support and advance such other complementary purposes of a charitable nature not inconsistent with these objects.
-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFP) 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, 2019

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 amortized cost. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost 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, 2019

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.

3. GRANTS, CONTRIBUTIONS AND FUNDRAISING

	2019	2018
Operations		
Youth Coordinator	\$ 500	\$ 3,000
Vancouver Foundation	500	2,250
	<u>1,000</u>	<u>5,250</u>
Income, Grants & Flow Thru		
Success by Six	37,687	49,670
Community Foundations of Canada	-	5,150
	<u>37,687</u>	<u>54,820</u>
	<u>\$ 38,687</u>	<u>\$ 60,070</u>

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2019

4. INVESTMENT INCOME

	2019	2018
Interest and dividends	\$ 100,705	\$ 91,088
Realized gains (losses)	11,690	36,659
Unrealized gains (losses)	(944)	(149,328)
Realized exchange gain (losses)	-	5,572
Unrealized exchange gains (losses)	55,709	42,324
	<u>\$ 167,160</u>	<u>\$ 26,315</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	2019 Net book value	2018 Net book value
Computer equipment	\$ 3,416	\$ 1,462	\$ 1,954	\$ 338

7. RESTRICTED CASH & INVESTMENTS

	2019	2018
Vancouver Foundation	\$ 381,896	\$ 375,775
National Bank, Canadian	2,312,802	2,288,391
National Bank, US	226,678	193,696
Grand Forks Credit Union	86,417	72,771
	<u>\$ 3,007,793</u>	<u>\$ 2,930,633</u>

The Foundation transferred assets 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.

PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2019

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.

	2019	2018
Operations		
Equipment replacement	\$ -	\$ 1,518
Board convening	3,629	3,629
	<u>\$ 3,629</u>	<u>\$ 5,147</u>
Income, Grants and Flow Thru		
Grants	\$ 58,960	\$ 50,458
Available for distribution	15,789	9,256
	<u>\$ 74,749</u>	<u>\$ 59,714</u>

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

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, 2019.

(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.

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PHOENIX FOUNDATION OF THE BOUNDARY COMMUNITIES

Notes to Financial Statements

Year Ended March 31, 2019

II. FINANCIAL INSTRUMENTS *(continued)*

(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 8% (7% - 2018) 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 35% (41% - 2018) 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 57% (52% - 2018) 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.

12. COMPARATIVE FIGURES

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