

**PEACE ARCH COMMUNITY
SERVICES FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2014

PEACE ARCH COMMUNITY SERVICES FOUNDATION

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MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Peace Arch Community Services Foundation:

We have audited the accompanying financial statements of PEACE ARCH COMMUNITY SERVICES FOUNDATION, which comprise the balance sheet as at March 31, 2014 and the statements of changes in net assets, revenues and expenses 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives a portion of its revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2014 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.

Other Matters

As required by the Society Act of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the previous year.

A handwritten signature in black ink, appearing to be 'KNV', is written over the printed logo.

June 24, 2014

Chartered Accountants LLP

PEACE ARCH COMMUNITY SERVICES FOUNDATION

BALANCE SHEET

MARCH 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 303,051	\$ 639,480
Accounts receivable	13,563	10,400
GST recoverable	120	1,900
Total current assets	316,734	651,780
INVESTMENTS, at market value (Note 3)	426,035	364,131
	\$ 742,769	\$ 1,015,911

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 4)	\$ 283,845	\$ 608,522
UNRESTRICTED NET ASSETS	458,924	407,389
	\$ 742,769	\$ 1,015,911

APPROVED BY:

 Harry White
 Steve Jackson

The accompanying Notes are an integral part of this statement.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	Unrestricted Net Assets	2014 Total	2013 Total
BALANCE, BEGINNING OF YEAR	\$ 407,389	\$ 407,389	\$ 876,648
ADD (DEDUCT):			
Excess (deficiency) of revenues over expenses	51,535	51,535	(469,259)
BALANCE, END OF YEAR	\$ 458,924	\$ 458,924	\$ 407,389

The accompanying Notes are an integral part of this statement.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
REVENUE:		
Donations (Note 5)	\$ 276,802	\$ 348,356
Fundraising	30,058	38,166
Interest income	1,626	3,755
	308,486	390,277
EXPENSES:		
Administration (Note 4)	36,000	32,000
Charitable disbursements (Note 4)	243,048	803,860
Fundraising costs	29,028	35,427
Office	7,036	5,433
Professional fees	2,800	2,800
	317,912	879,520
Deficiency of revenues over expenses before other income	(9,426)	(489,243)
OTHER INCOME:		
Unrealized gain on investments	60,961	19,984
Excess (deficiency) of revenues over expenses	\$ 51,535	\$ (469,259)

The accompanying Notes are an integral part of this statement.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	2014	2013
CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):		
Operating Activities:		
Excess (deficiency) of revenues over expenses	\$ 51,535	\$ (469,259)
Item not affecting cash -		
Unrealized gain on investments	(60,961)	(19,984)
	(9,426)	(489,243)
Changes in non-cash working capital:		
Increase in accounts receivable	(3,163)	(7,413)
Decrease (increase) in GST recoverable	1,780	(1,830)
Increase (decrease) in accounts payable and accrued liabilities	(324,677)	400,159
Net changes	(326,060)	390,916
	(335,486)	(98,327)
Investing Activities:		
Interest reinvested	(943)	(1,443)
Disposal of investments	-	250,000
	(943)	248,557
Increase (decrease) in cash and cash equivalents	(336,429)	150,230
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	639,480	489,250
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 303,051	\$ 639,480

The accompanying Notes are an integral part of this statement.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

PURPOSE OF THE FOUNDATION

The purpose of Peace Arch Community Services Foundation ("the Foundation") is to provide for the enrichment of the quality of life in the community, through Sources Community Resources Society ("the Society"), by developing a permanent endowment, responding to the priorities of the Society, assessing and responding to emerging and changing community needs, providing an avenue for donors with varied interests and various levels of giving, and serving as a resource catalyst for charitable activities in the community.

The Foundation is a registered charity under Canadian income tax legislation and, accordingly, is exempt from income tax. The Foundation is incorporated under the Society Act of British Columbia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Use of Estimates

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

(c) Donated Services

Volunteers perform various services on behalf of the Foundation. Due to the difficulty of determining the fair value of these services, the value is not recorded in the financial statements.

(d) Donations

The Foundation follows the deferral method of accounting for donations. Restricted donations are recognized as income in the period in which the related expenses are incurred. Unrestricted donations are recognized in the period in which they are received or become receivable, if the amount to be received can be reasonably estimated and collection is reasonable assured.

(e) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, balances with banks, and in-kind donations.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments

(i) Measurement of Financial Instruments

Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are classified as held-for-trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in income of the Foundation during the year that they are incurred.

Investments are classified as available-for-sale and are measured at market value. Gains and losses related to periodic revaluation are recorded in income of the Foundation during the year that they are incurred.

(ii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net revenues and expenses. The previously recognized impairment loss may be reversed to the extent of the improvement provided that the resulting carrying value does not exceed the amount that would have been reported had the impairment not been recognized. The amount of the reversal is recognized in net income.

(iii) Transaction Costs

The Foundation recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. FINANCIAL INSTRUMENTS

Financial instruments are defined to include cash and cash equivalents, amounts receivable or payable in cash arising from contractual agreements, and investments in the securities of other entities. Except as noted below, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from the financial instruments disclosed on the balance sheet.

(a) Interest Rate Risk

Interest rate risk is the risk to the Foundation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

The Foundation's operating bank account bears interest at a variable rate as determined by the bank.

The Foundation manages its cash based on its cash flow needs in order to optimize its interest income and reduce its interest expense. Management expects interest rates to remain relatively constant for the coming year and, therefore, considers the related risk to be low.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

2. FINANCIAL INSTRUMENTS (Continued)

(b) Market Risk

Market risk relates to the possibility that the equity investments will change in value due to future fluctuations in market prices. As the equity investments are held at market value, those investments are exposed to market risk to the extent that a decrease in market value is not considered temporary. The Foundation does not use derivative instruments to reduce its exposure to market risk.

(c) Credit Risk

Credit Risk arises from the possibility that the entities, to which the Foundation provides funding may not be able to repay their financial obligations. Credit balances are monitored on a continuing basis, and management does not believe there to be any bad debts as of March 31, 2014.

3. INVESTMENTS

Investments are summarized as follows:

	2014	2013
Money market/cash	\$ 86,004	\$ 84,995
Marketable securities	340,031	279,136
	\$ 426,035	\$ 364,131

Investments are held and managed by Scotia McLeod Securities. Investments are held in widely traded and liquid mutual funds, bonds and securities which can be transferred to the Foundation's general account at the Board's discretion, to be used for activities of the Foundation, such as charitable disbursements to Sources Society.

4. RELATED PARTY TRANSACTIONS

- (a) Accounts payable and accrued liabilities includes \$279,973 (2013 - \$597,279) payable to the Society, at regular trade terms.
- (b) During the year, the Foundation paid administration charges of \$36,000 (2013 - \$32,000) and disbursed donations and grants of \$243,048 (2013 - \$803,860) to the Society.

These transactions are in the normal course of operations and are recorded at the exchange amount.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2014 (Continued)

5. DONATIONS

Donations revenue is analyzed as follows:

	2014	2013
Regular	\$ 2,760	\$ 2,978
Specified	242,493	313,859
Gala	31,549	31,519
	\$ 276,802	\$ 348,356