

**PEACE ARCH COMMUNITY
SERVICES FOUNDATION**

FINANCIAL STATEMENTS

MARCH 31, 2015

PEACE ARCH COMMUNITY SERVICES FOUNDATION

INDEX TO FINANCIAL STATEMENTS

MARCH 31, 2015

	Page(s)
Independent Auditor's Report	3
Balance Sheet	4
Statement of Changes in Net Assets	5
Statement of Revenues and Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11

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, 2015 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, 2015 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.

The financial statements of PEACE ARCH COMMUNITY SERVICES FOUNDATION for the year ended March 31, 2014 were audited by KNV Chartered Accountants LLP of Surrey, British Columbia, Canada, prior to its merger with MNP LLP. KNV Chartered Accountants LLP expressed a qualified opinion on those statements on June 24, 2014.

June 16, 2015

Surrey, British Columbia



Chartered Accountants

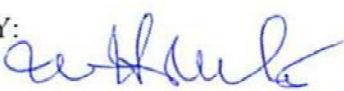
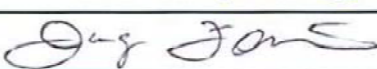
PEACE ARCH COMMUNITY SERVICES FOUNDATION

BALANCE SHEET

MARCH 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,740	\$ 303,051
Accounts receivable (Note 3)	604,967	13,563
GST recoverable	214	120
Total current assets	631,921	316,734
INVESTMENTS (Note 4)	462,375	426,035
	\$ 1,094,296	\$ 742,769
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities (Note 3)	\$ 3,031	\$ 283,845
Unearned revenue	25,863	-
Total liabilities	28,894	283,845
UNRESTRICTED NET ASSETS	1,065,402	458,924
	\$ 1,094,296	\$ 742,769

APPROVED BY:

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, 2015 AND 2014

	Unrestricted Net Assets	2015 Total	2014 Total
BALANCE, BEGINNING OF YEAR	\$ 458,924	\$ 458,924	\$ 407,389
ADD:			
Excess of revenues over expenses	606,478	606,478	51,535
BALANCE, END OF YEAR	\$ 1,065,402	\$ 1,065,402	\$ 458,924

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, 2015 AND 2014

	2015	2014
REVENUE:		
Donations (Note 5)	\$ 894,174	\$ 276,802
Fundraising	17,967	30,058
Interest income	1,553	1,626
	913,694	308,486
EXPENSES:		
Administration (Note 3)	36,000	36,000
Charitable disbursements (Note 3)	216,020	243,048
Fund development (Note 3)	43,333	-
Fundraising events	19,414	29,028
Office	24,588	7,036
Professional fees	3,147	2,800
	342,502	317,912
Excess (deficiency) of revenues over expenses before other income	571,192	(9,426)
OTHER INCOME:		
Unrealized gain on investments	35,286	60,961
Excess of revenues over expenses	\$ 606,478	\$ 51,535

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, 2015 AND 2014

	2015	2014
CASH AND CASH EQUIVALENTS WAS PROVIDED FROM (USED IN):		
Operating Activities:		
Excess of revenues over expenses	\$ 606,478	\$ 51,535
Item not affecting cash -		
Unrealized gain on investments	(35,286)	(60,961)
	571,192	(9,426)
Changes in non-cash working capital:		
Increase in accounts receivable	(591,404)	(3,163)
Decrease (increase) in GST recoverable	(94)	1,780
Decrease in accounts payable and accrued liabilities	(280,814)	(324,677)
Increase in unearned revenue	25,863	-
Net changes	(846,449)	(326,060)
	(275,257)	(335,486)
Investing Activity:		
Interest reinvested	(1,054)	(943)
Decrease in cash and cash equivalents	(276,311)	(336,429)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	303,051	639,480
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 26,740	\$ 303,051

The accompanying Notes are an integral part of this statement.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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. The main estimates relate to accrued interest income and accrued liabilities.

(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 reasonably 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, 2015 (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. Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are subsequently measured at amortized cost. 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

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, 2015 (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, 2015.

3. RELATED PARTY TRANSACTIONS

- (a) Accounts receivable includes \$596,178 (2014 - \$NIL) receivable from the Society.
- (b) Accounts payable and accrued liabilities includes \$NIL (2014 - \$279,973) payable to the Society, at regular trade terms.
- (c) During the year, the Foundation paid administration charges of \$36,000 (2014 - \$36,000), paid fund development charges of \$43,333 (2014 - \$NIL), and disbursed donations and grants of \$216,020 (2014 - \$243,048) to the Society.
- (d) The Foundation received donations and grants of \$650,000 (2014 - \$NIL) from the Society

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

4. INVESTMENTS

Investments are summarized as follows:

	2015	2014
Money market/cash	\$ 87,100	\$ 86,004
Marketable securities	375,275	340,031
	<u>\$ 462,375</u>	<u>\$ 426,035</u>

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.

PEACE ARCH COMMUNITY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

5. DONATIONS

Donations revenue is analyzed as follows:

	2015	2014
Regular (Note 3(d))	\$ 656,403	\$ 2,760
Specified (Note 3(c))	216,020	242,493
Gala	21,751	31,549
	\$ 894,174	\$ 276,802