

**L'Arche Canada Foundation**  
**Financial Statements**  
For the year ended March 31, 2019

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**Contents**

<b>Independent Auditor's Report</b>	<b>2-3</b>
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13



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## Independent Auditor's Report

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To the Directors of L'Arche Canada Foundation

### Opinion

We have audited the financial statements of L'Arche Canada Foundation (the "Foundation"), which comprise the statements of financial position as at March 31, 2019, and the statement of operations, changes in net assets 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 its results of 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related 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.

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.

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## Independent Auditor's Report (Continued)

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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.

*BDO CANADA LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Markham, Ontario  
June 27, 2019

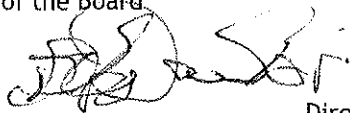
## L'Arche Canada Foundation Statement of Financial Position

March 31	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 492,490	\$ 638,101
Accounts receivable	8,133	18,049
Sales taxes recoverable	27,444	43,356
Loan to L'Arche (Note 3)	37,284	200,962
Prepaid expenses and other assets	17,896	18,248
	583,247	918,716
Investments (Note 2)	2,704,194	2,541,603
	<b>\$ 3,287,441</b>	<b>\$ 3,460,319</b>

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 37,082	\$ 100,767
Deferred revenue (Note 5)	629,087	812,545
	666,169	913,312
<b>Net assets</b>		
Unrestricted Funds	650,840	860,422
Endowment Fund	1,500,000	1,500,000
Externally Restricted Endowment Fund	470,432	186,585
	2,621,272	2,547,007
	<b>\$ 3,287,441</b>	<b>\$ 3,460,319</b>

On behalf of the Board



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

The accompanying notes are an integral part of these financial statements.

## L'Arche Canada Foundation Statement of Operations

For the year ended March 31	2019	2018
<b>Revenue</b>		
General donations	\$ 1,988,730	\$ 1,402,917
Grants from foundations	699,433	639,539
Bequests	20,321	324,873
Investment income (Note 6)	158,637	80,929
Sundry revenue	7,985	11,621
	<u>2,875,106</u>	<u>2,459,879</u>
<b>Expenditures</b>		
Salaries and benefits	413,838	450,275
Advertising, direct mail and printing	189,271	232,320
Purchased services	116,166	135,062
Rent, office and administration	128,164	132,511
Travel, training and meetings	10,859	22,270
Amortization	2,557	3,715
	<u>860,855</u>	<u>976,153</u>
Excess of revenue over expenditures before grants	2,014,251	1,483,726
Grants to L'Arche (Note 4)	1,926,427	1,622,970
Grants to L'Arche communities	297,406	109,538
	<u>2,223,833</u>	<u>1,732,508</u>
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (209,582)</b>	<b>\$ (248,782)</b>

The accompanying notes are an integral part of these financial statements

**L'Arche Canada Foundation**  
**Statement of Changes in Net Assets**

For the year ended March 31	2019		2018	
	Unrestricted Funds	Endowment Fund	Externally Restricted Endowment Fund	Total
Net assets, beginning of year	\$ 860,422	\$ 1,500,000	\$ 186,585	\$ 2,547,007
Deficiency of revenue over expenditures for the year	(209,582)	-	-	(209,582)
Endowments received during the year	-	-	283,847	283,847
Net assets, end of year	\$ 650,840	\$ 1,500,000	470,432	\$ 2,621,272
				\$ 2,547,007

The accompanying notes are an integral part of these financial statements

## L'Arche Canada Foundation Statement of Cash Flows

For the year ended March 31	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenditures	\$ (209,582)	\$ (248,782)
Items not affecting cash		
Amortization	2,557	3,715
Unrealized gain on fair value of investments	(56,971)	(15,839)
Realized gain on disposal of investments	(1,843)	(1,050)
Changes in non-cash working capital balances		
Accounts receivable	9,916	(18,049)
Sales taxes recoverable	15,912	(274)
Prepaid expenses and other assets	(2,206)	12,185
Accounts payable and accrued liabilities	(63,685)	11,231
Deferred revenue	(183,458)	434,365
	(489,360)	177,502
<b>Investing activities</b>		
Loan to L'Arche	163,678	184,068
Purchase of investments	(118,092)	(170,172)
Proceeds on disposal of investments	14,316	12,846
	59,902	26,742
<b>Financing activity</b>		
Increase in externally restricted endowment fund	283,847	186,585
<b>Change in cash during the year</b>	<b>(145,611)</b>	<b>390,829</b>
Cash, beginning of year	638,101	247,272
<b>Cash, end of year</b>	<b>\$ 492,490</b>	<b>\$ 638,101</b>

The accompanying notes are an integral part of these financial statements.

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# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies

#### Purpose of Organization

L'Arche Canada Foundation (the "Foundation") is an organization created by L'Arche Canada ("L'Arche") to provide new flows of financial capital in support of the mission and work of L'Arche Canada.

The Foundation was incorporated under Canadian letters patent issued March 14, 2001 and was issued a Certificate of Continuance under the *Canada Not-for-Profit Corporations Act* on July 11, 2013.

#### Basis of Presentation

The Foundation has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Unrestricted Funds represent unrestricted contributions received by the Foundation for day-to-day operating activities and may be disbursed at the discretion of the Board of Directors.

Endowment Fund represents accumulated contributions received that are to be preserved by the Foundation.

Externally Restricted Endowment Fund represents amounts received that are disbursed in accordance with the restrictions stipulated by donors.

#### Revenue Recognition

The Foundation follows the deferral method of accounting for donations. Restricted donations and grants are recognized as income in the year in which the related grants are made. Unrestricted contributions and grants are recognized as income when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets in the current year.



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# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2019

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### 1. Significant Accounting Policies (Continued)

<b>Investments</b>	<p>Investments are primarily in pooled funds and are stated at fair value in a trade date basis. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statements of operations as investment income.</p> <p>Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Foundation's proportionate share of underlying assets at fair values determined using closing market prices.</p> <p>Interest income is recognized on a time proportionate basis. The purchase and sale of securities are recorded on a settlement date basis. Realized gains and losses from security transactions are based on the average cost of the security. Dividends and interest are reinvested within the pooled fund.</p>		
<b>Capital Assets</b>	<p>Included in other assets are capital assets stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset, calculated as follows:</p> <table><tr><td style="padding-left: 20px;">Office equipment</td><td style="padding-left: 40px;">3-5 years straight-line basis</td></tr></table>	Office equipment	3-5 years straight-line basis
Office equipment	3-5 years straight-line basis		
<b>Financial Instruments</b>	<p>Financial instruments, excluding investments, are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs in the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.</p>		
<b>Contributed Goods and Services</b>	<p>Contributed goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by the Foundation.</p> <p>Volunteers make contributions of their time to the Foundation's programs. The value of this contributed time is not reflected in these financial statements.</p>		

## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2019

### 1. Significant Accounting Policies (Continued)

Use of Estimates	The preparation of the financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include, but are not limited to accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.
Income Tax Status	The Foundation is registered as a charitable organization for income tax purposes and qualifies for tax exempt status under section 149(1)(f) of the <i>Income Tax Act</i> .

### 2. Investments

	2019		2018	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 306,558	\$ 306,558	\$ 303,886	\$ 303,886
Burgundy Balanced Foundation Fund	2,048,134	2,395,630	1,926,688	2,217,213
Demand Deposit	2,006	2,006	20,497	20,504
	<b>\$ 2,356,698</b>	<b>\$ 2,704,194</b>	<b>\$ 2,251,071</b>	<b>\$ 2,541,603</b>

The guaranteed investment certificates bear annual interest at 0.85% and mature July 2019.

## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2019

### 3. Loan to L'Arche

This amount reflects a loan that was made to L'Arche for the purposes of providing loans to L'Arche Mexico and L'Arche Haiti. As at March 31, 2019, \$20,913 (2018 - \$20,913) was outstanding to L'Arche Mexico and \$16,371 (2018 - \$180,049) was outstanding to L'Arche Haiti. The loan to L'Arche Mexico is non-interest bearing (2018 - 1.5%) and is repayable on demand. The loan to L'Arche Haiti is also non-interest bearing.

### 4. Related Party Transactions

The Foundation is controlled by L'Arche that has the ability to appoint all of the Directors of the Foundation. During the year, the Foundation granted \$1,926,427 (2018 - \$1,622,970) in support of L'Arche programs.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

### 5. Deferred Revenue

	2019	2018
Received from L'Arche <sup>(1)</sup>	\$ 213,673	\$ 378,180
Invested for L'Arche Antigonish <sup>(2)</sup>	250,000	250,000
Other restricted donations	165,414	184,365
Balance, end of year	\$ 629,087	\$ 812,545

<sup>(1)</sup> Deferred revenue received from L'Arche in 2017 which was designated for the L'Arche Haiti (Carrefour and Chantal) relocation projects. During the year, \$163,678 (2018 - \$Nil) was transferred to the Foundation.

<sup>(2)</sup> This amount is a designated donation for L'Arche Antigonish and is invested on a medium term basis for that community.

### 6. Investment Income

	2019	2018
Interest	\$ 3,056	\$ 6,456
Pooled fund distributions	96,767	57,584
Unrealized gain on fair value of investments	56,971	15,839
Realized gain on disposal of investments	1,843	1,050
	\$ 158,637	\$ 80,929

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## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2019

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### 7. Commitments

The minimum annual lease payments for office rent are as follows:

2020	\$	55,042
2021		<u>18,347</u>
	\$	<u>73,389</u>

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### 8. Financial Instruments

#### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk with respect to cash and investments from the potential default by counterparties that carry the Foundation's cash and investments. The Foundation mitigates the credit risk by dealing with only large financial institutions with good credit ratings. The Foundation is also exposed to credit risk arising from accounts receivable and loan to L'Arche Canada. All eligibility criteria related to amounts recorded as accounts receivable have been met by the Foundation.

#### Liquidity Risk

Liquidity risk is the risk that the Foundation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Foundation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

The Foundation continues to focus on maintaining adequate liquidity to meet operating working capital requirements.

#### 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.

Market risk comprises three types of risk: interest rate risk, price risk and currency risk. Each of these risks is discussed hereunder.

#### *Interest Rate Risk*

The Foundation is exposed to financial risks that arise from fluctuations of interest rates and the degree of volatility of these rates. The Foundation's investments within the pooled funds are subject to interest rate risk.

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## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2019

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### 8. Financial Instruments (Continued)

#### *Currency Risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's investments within the pooled funds are subject to currency risk.

The market value of securities denominated in foreign currencies within the pooled funds at March 31, 2019 was \$1,036,350 (2018 - \$953,402).

#### *Price Risk*

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation's exposure to price risk relates to changes in equity markets on its investments in the pooled funds.

There have been no changes to the Foundation's financial instruments risk exposure from prior year.

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### 9. Comparative Amounts

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.