

L'Arche Canada Foundation
Financial Statements
For the year ended March 31, 2017

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Independent Auditor's Report

To the Directors of
L'Arche Canada Foundation

We have audited the accompanying financial statements of L'Arche Canada Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2017, and the statements of income, changes in net assets 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 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 Foundation'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.



Independent Auditor's Report

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of L'Arche Canada Foundation as at March 31, 2017, 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.

BDO Canada S.P.L./S.E.N.C.R.L./LLP

Licensed public accountant

Toronto, Ontario
June 29, 2017

L'Arche Canada Foundation Statement of Financial Position

March 31 **2017** **2016**

Assets

Current

Cash	\$	247,272	\$	297,586
Accounts receivable (Note 5)		180,049		270,443
Loan to L'Arche Canada (Note 4)		204,981		-
Sales taxes recoverable		43,082		21,849
Prepaid expenses		27,080		8,120
		702,464		597,998

Investments (Note 2)		2,367,388		2,055,362
Capital assets (Note 3)		7,068		2,478
		2,374,456		2,057,840

\$ 3,076,920 **\$ 2,655,838**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	89,536	\$	58,861
Deferred revenue (Note 6)		378,180		-
		467,716		58,861

Net assets (Note 7)

Unrestricted net assets		2,609,204		41,726
Internally restricted		-		2,555,251
		2,609,204		2,596,977

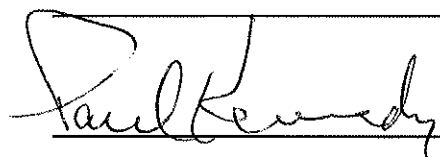
2,609,204 **2,596,977**

\$ 3,076,920 **\$ 2,655,838**

On behalf of the Board



Director



Director

L'Arche Canada Foundation Statement of Income

For the year ended March 31	2017	2016
Revenue		
General donations	\$ 1,816,615	\$ 1,854,442
Grants from foundations	811,878	849,667
Bequests	412,160	19,685
Investment income (Note 8)	200,825	13,355
Sundry revenue	6,321	5,582
Other designated grants	-	100,000
	3,247,799	2,842,731
Expenditures		
Grants to L'Arche in Canada (Note 5)	1,510,523	1,605,950
Grants to L'Arche communities in Canada	818,756	226,013
Salaries and benefits	427,322	216,179
Advertising, direct mail and printing	188,459	147,734
Purchased services	175,076	321,205
Rent, office and administration	99,499	90,108
Travel, training and meetings	13,267	31,626
Amortization	2,670	1,826
Designated grants, L'Arche Canada Outreach	-	100,000
	3,235,572	2,740,641
Excess of revenue over expenditures for the year	\$ 12,227	\$ 102,090

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			2017	2016
	Unrestricted	Internally Restricted Vanier Legacy Fund	Total	Total
Net assets, beginning of the year	\$ 41,726	\$ 2,555,251	\$ 2,596,977	\$ 2,494,887
Excess of revenue over expenditures for the year	12,227	-	12,227	102,090
Interfund transfer (Note 7)	2,555,251	(2,555,251)	-	-
Net assets, end of year	\$ 2,609,204	-	\$ 2,609,204	\$ 2,596,977

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	2017	2016
Cash flows from operating activities		
Excess of revenue over expenditures for the year	\$ 12,227	\$ 102,090
Items not affecting cash		
Amortization	2,670	1,826
Unrealized (gain) loss on investments	(102,217)	70,435
Gain on disposal of investments	(2,345)	(2,512)
Changes in non-cash working capital balances		
Accounts receivable	90,394	(86,372)
Sales taxes recoverable	(21,233)	393
Prepaid expenses	(18,960)	(3,264)
Accounts payable and accrued liabilities	30,675	109
Deferred revenue	378,180	-
	<u>369,391</u>	<u>82,705</u>
Cash flows from investing activities		
Loan to L'Arche Canada	(204,981)	-
Purchase of investments	(226,600)	(75,541)
Proceeds on disposal of investments	19,136	214,489
Purchase of capital assets	(7,260)	-
	<u>(419,705)</u>	<u>138,948</u>
(Decrease) increase in cash during the year	(50,314)	221,653
Cash, beginning of year	297,586	75,933
Cash, end of year	\$ 247,272	\$ 297,586

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

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies

Purpose of Organization	<p>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 in Canada.</p> <p>The Foundation was incorporated under Canadian letters patent issued March 14, 2001 and was issued a Certificate of Continuance under the <i>Canada Not-for-Profit Corporations Act</i> on July 11, 2013.</p>		
Basis of Presentation	<p>The Foundation has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").</p>		
Revenue Recognition	<p>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 expenses are incurred and collection is reasonably assured. 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.</p> <p>Investment income is recognized when earned.</p>		
Capital Assets	<p>Capital assets are 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;">5 years straight-line basis</td></tr></table>	Office equipment	5 years straight-line basis
Office equipment	5 years straight-line basis		
Financial Instruments	<p><i>Measurement of Financial Instruments</i></p> <p>The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all its financial assets and liabilities at amortized cost with the exception of investments which are subsequently measured at fair value.</p> <p>Financial assets measured at amortized cost include cash and loan to L'Arche Canada.</p> <p>Financial assets measured at fair value include investments.</p> <p>Financial liabilities measured at amortized cost include accounts payable.</p>		

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditures.

Transaction Costs

The Foundation recognizes its transaction costs for financial instruments at fair value in excess of revenue over expenditures 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.

Contributed Goods and Services Contributed goods and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased by the Foundation.

Volunteers make contributions of their time to the Foundation's programs. The value of this contributed time is not reflected in these financial statements.

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 revenues 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 *Income Tax Act*.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

2. Investments

	2017		2016	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 526,300	\$ 526,300	\$ 424,903	\$ 424,903
Burgundy Balanced Foundation Fund	1,532,120	1,806,806	1,457,989	1,630,459
Marketable securities	34,940	34,282	-	-
	\$ 2,093,360	\$ 2,367,388	\$ 1,882,892	\$ 2,055,362

The guaranteed investment securities bear annual interest varying between 0.75% and 0.85% (2016 - 0.85%) and mature between January and July 2019 (2016 - January 2019).

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 15,390	\$ 8,322	\$ 8,130	\$ 5,652
Net book value		\$ 7,068		\$ 2,478

4. Loan to L'Arche Canada

This amount reflects a loan that was made to L'Arche for the purposes of providing a loan to L'Arche Mexico. As at March 31, 2017, \$204,981 (2016 - \$Nil) was outstanding, this amount bears annual interest of 1.5% and is repayable by September 1, 2017.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

5. 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 remitted \$1,510,523 (2016 - \$1,605,950) 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.

6. Deferred Revenue

	2017	2017
Balance, beginning of year	\$ -	\$ -
Received from L'Arche Canada ⁽¹⁾	280,049	-
Received for L'Arche Haiti (Chantal) community ⁽²⁾	98,131	-
Balance, end of year	\$ 378,180	\$ -

⁽¹⁾ Deferred revenue received from L'Arche, includes an amount of \$280,049 reclaimed from L'Arche during the year. As of March 31, 2017, \$100,000 was transferred to the Foundation and the balance of \$180,049 is included in accounts receivable. This amount was designated donations for the L'Arche Haiti (Carfour) relocation project, transferred in a prior year, and was not used as of March 31, 2017.

⁽²⁾ This amount was designated donations for the L'Arche Haiti (Chantal) relocation project, raised in the current year, and was not used as of March 31, 2017.

7. Net Assets

Unrestricted net assets are available for use by the Foundation for day-to-day operating transactions and for transfer to other internally restricted funds.

The Vanier Legacy Fund is an internally restricted fund which provides resources for consistent and enduring growth of L'Arche initiatives in Canada.

During the year, the board of directors approved the elimination of the Internally restricted Vanier Legacy fund and the transfer of the remaining balance of \$2,555,521 (2016 - \$420,000) from the Internally restricted Vanier Legacy fund to the Unrestricted fund.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

8. Investment Income

Investment income is derived from the following sources:

	2017	2016
Interest	\$ 5,341	\$ 5,596
Pooled fund distributions	90,922	75,682
Unrealized gain (loss) in fair value of investments	102,217	(70,435)
Realized gain on disposal of investments	2,345	2,512
	\$ 200,825	\$ 13,355

9. Commitments

The minimum annual lease payments for office rental expiring in 2021 are as follows:

2018	\$	53,574
2019		55,042
2020		55,042
2021		18,347
		\$ 182,005

10. 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 company'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.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2017

10. Financial Instruments (Continued)

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 is exposed to interest rate risk with respect to its investments.

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 owns investments denominated in various foreign currencies traded on foreign stock exchanges.

The market value of securities in foreign currencies at March 31, 2017 was \$715,495.26 (2016 - \$652,184).

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 market prices in its equity securities and investment in bonds.

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