

**L'Arche Canada Foundation**  
**Financial Statements**  
For the year ended March 31, 2014

---

**Contents**

Independent Auditor's Report	2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

---

## 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, 2014, and the statements of operations, 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.

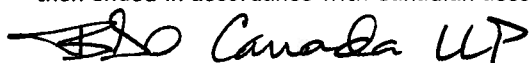
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2014 and 2013, current assets as at March 31, 2014 and 2013, and net assets as at April 1 and March 31 for both the 2014 and 2013 years. Our audit opinion on the financial statements for the year ended March 31, 2013 was modified accordingly because of this possible effects of this limitation in scope.

#### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of L'Arche Canada 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.



Chartered Accountants, Licensed Public Accountants

Markham, Ontario  
July 21, 2014

**L'Arche Canada Foundation**  
**Statement of Financial Position**

March 31	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 199,880	\$ 522,196
Accounts receivable	1,002	1,110
Sales taxes recoverable	18,084	29,714
Prepaid expenses	4,856	5,750
	223,822	558,770
Investments (Note 2)	2,009,883	1,398,704
Capital assets (Note 3)	2,000	3,000
	\$ 2,235,705	\$ 1,960,474

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 28,726	\$ 40,001
Deferred grant revenue	158	158
	28,884	40,159
<b>Net Assets (Note 5)</b>		
Unrestricted	20,777	2,248
Internally restricted	2,186,044	1,918,067
	2,206,821	1,920,315
	\$ 2,235,705	\$ 1,960,474

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**L'Arche Canada Foundation**  
**Statement of Operations**

<b>For the year ended March 31</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>		
General donations	\$ 1,709,703	\$ 1,445,155
Grants from foundations	695,872	467,324
Bequests	84,907	92,006
Other designated grants	100,000	70,000
Sundry revenue	6,992	9,258
Investment income (Note 6)	177,582	30,196
	<u>2,775,056</u>	<u>2,113,939</u>
<b>Expenditures</b>		
Grants to L'Arche in Canada (Note 4)	1,546,334	1,164,806
Salaries and benefits	269,042	245,241
Grants to L'Arche communities in Canada	232,079	96,652
Advertising, direct mail and printing	151,591	125,661
Designated grants, L'Arche Canada Outreach	115,000	70,000
Rent, office, and administration	90,404	72,421
Purchased services	69,325	39,945
Travel, training, and meetings	13,775	15,938
Amortization expense	1,000	1,000
	<u>2,488,550</u>	<u>1,831,664</u>
<b>Excess of revenue over expenditures</b>	<b>286,506</b>	<b>282,275</b>
<b>Net assets, beginning of year</b>	<u><b>1,920,315</b></u>	<u><b>1,638,040</b></u>
<b>Net assets, end of year</b>	<u><b>\$ 2,206,821</b></u>	<u><b>\$ 1,920,315</b></u>

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	2014		2013	
	Unrestricted	Internally Restricted Vanier Legacy Fund	Total	Total
Net assets, beginning of the year	\$ 2,248	\$ 1,918,067	\$ 1,920,315	\$ 1,638,040
Excess (deficiency) of revenue over expenditures (Note 5)	(256,471)	542,977	286,506	282,275
Interfund transfer	275,000	(275,000)	-	-
Net assets, end of year	<u>\$ 20,777</u>	<u>\$ 2,186,044</u>	<u>\$ 2,206,821</u>	<u>\$ 1,920,315</u>

**L'Arche Canada Foundation**  
**Statement of Cash Flows**

**For the year ended March 31**

**2014**

**2013**

**Cash provided by (used in)**

**Operating activities**

Excess of revenue over expenditures	\$ 286,506	\$ 282,275
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used in) operating activities		
Amortization	1,000	1,000
Unrealized gain on investments	(124,902)	(11,856)
Gain on disposal of investments	(5,676)	-
Changes in non-cash working capital balances		
Accounts receivable	108	(921)
Sales tax recoverable	11,630	4,103
Prepaid expenses	894	376
Accounts payable and accrued liabilities	(11,275)	(93,104)

	<b>158,285</b>	<b>181,873</b>
--	----------------	----------------

**Investing activities**

Proceeds of disposition from sale/redemption of investments	10,594	72,868
Purchase of investments	(491,195)	-

	<b>(480,601)</b>	<b>72,868</b>
--	------------------	---------------

**Net change in cash**

	<b>(322,316)</b>	<b>254,741</b>
--	------------------	----------------

**Cash, beginning of year**

	<b>522,196</b>	<b>267,455</b>
--	----------------	----------------

**Cash, end of year**

	<b>\$ 199,880</b>	<b>\$ 522,196</b>
--	-------------------	-------------------

---

# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2014

---

### 1. Summary of Significant Accounting Policies

- a. **Purpose of Organization** L'Arche Canada Foundation (the "Foundation") is an organization created by L'Arche Canada to provide new flows of financial capital in support of the mission and work of L'Arche in Canada. During its initial phase of development, the Board of L'Arche Canada Foundation is initiating a diverse range of fundraising activities, including solicitation of grants from foundations and corporations, direct mail appeals, and requests for major gifts from individuals.

The Foundation was incorporated under Canadian letters patent issued March 14, 2001 and commenced operations in August 2001 under the name Friends of L'Arche in Canada.

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

- c. **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 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.

- d. **Capital Assets** Capital assets are stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset, calculated as follows:

Office equipment - 5 years straight-line basis

All capital assets with a cost of \$5,000 or more are recorded at cost and amortized over their estimated useful life.

---

## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2014

---

### 1. Summary of Significant Accounting Policies (continued)

- e. Financial Instruments**      Financial instruments are recorded at fair value when acquired or issued. All investments have been designed to be in the fair value category, with gains and losses reported in operations in the period in which they arise. All other financial instruments are reported 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 on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.
- f. 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.
- g. 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. Actual results could differ from management's best estimates as additional information becomes available in the future.
- h. 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, 2014**

**2. Investments**

	2014		2013	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 650,000	\$ 650,000	\$ 400,000	\$ 400,000
Burgundy Money Market Fund	50,325	50,331	246,925	246,819
Burgundy Balanced Foundation Fund	1,173,446	1,309,552	740,569	751,885
	<u>\$ 1,873,771</u>	<u>\$ 2,009,883</u>	<u>\$ 1,387,494</u>	<u>\$ 1,398,704</u>

The guaranteed investment securities bear interest at 1.25% (2013 - 1.25%) and mature between January and February 2017 (2013 - September 2016).

**3. Capital Assets**

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 5,000	\$ 3,000	\$ 5,000	\$ 2,000
Net book value		<u>\$ 2,000</u>		<u>\$ 3,000</u>

**4. Related Party**

The Foundation is related to L'Arche Canada and during the year remitted \$1,546,334 (2013 - \$1,234,806) in support of L'Arche Canada programs. At March 31, 2014, \$nil (2013 - \$6,000) was payable to this organization.

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.

**L'Arche Canada Foundation**  
**Notes to Financial Statements**

**March 31, 2014**

**5. Operating and Internally Restricted Funds**

Operating fund 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.

	Unrestricted	Internally Restricted Vanier Legacy Fund	2014	2013
Balance, beginning of the year	\$ 2,248	\$ 1,918,067	\$ 1,920,315	\$ 1,638,040
Revenue	2,127,984	647,072	2,775,056	2,113,939
Expenditures	(2,384,455)	(104,095)	(2,488,550)	(1,831,664)
Excess (deficiency) of revenue over expenditures	(256,471)	542,977	286,506	282,275
Interfund transfer	275,000	(275,000)	-	-
Balance, end of the year	<u>\$ 20,777</u>	<u>\$ 2,186,044</u>	<u>\$ 2,206,821</u>	<u>\$ 1,920,315</u>

**6. Investment Income**

Investment income is derived from the following sources:

	2014	2013
Interest	\$ 5,809	\$ 5,816
Pooled fund distributions	41,195	12,524
Unrealized gains	124,902	11,856
Realized gains	5,676	-
	<u>\$ 177,582</u>	<u>\$ 30,196</u>

**7. Commitments**

Minimum annual lease payments for office rental are as follows:

Year	Amount
2015	\$ 44,000
2016	11,000
	<u>\$ 55,000</u>

---

## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2014

---

### 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's financial instruments that are exposed to concentrations of credit risk are cash, accounts receivable and investments. The Foundation limits its exposure to this risk by maintaining cash and investments with a major financial institution and an accredited investment council.

#### Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Foundation is exposed to this risk through investments in interest bearing financial instruments. The Foundation does not currently use any derivative instruments to mitigate this risk.

#### 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, and commitments.

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

#### Market Risk

The Foundation is exposed to fluctuations in equity markets on its investments which are invested in mutual funds.