

L'Arche Canada Foundation
Financial Statements
For the year ended March 31, 2018

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For the year ended March 31, 2018

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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, 2018, 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 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, 2018, 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.C.I./S.E.N.C.R.L./LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 17, 2018

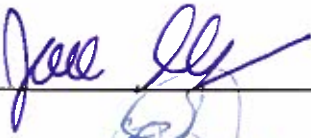
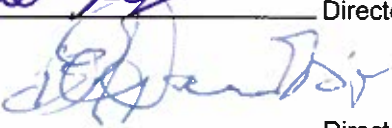
L'Arche Canada Foundation Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash	\$ 638,101	\$ 247,272
Accounts receivable (Note 7)	198,098	180,049
Loan to L'Arche (Note 4)	20,913	204,981
Sales taxes recoverable	43,356	43,082
Prepaid expenses	14,895	27,080
	915,363	702,464
Investments (Note 2)	2,541,603	2,367,388
Capital assets (Note 3)	3,353	7,068
	\$ 3,460,319	\$ 3,076,920

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 100,767	\$ 89,536
Deferred revenue (Note 7)	812,545	378,180
	913,312	467,716
Net assets (Note 8)		
Unrestricted net assets	860,422	2,609,204
Restricted Funds	1,686,585	-
	2,547,007	2,609,204
	\$ 3,460,319	\$ 3,076,920

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	2018	2017
Revenue		
General donations	\$ 1,402,917	\$ 1,816,615
Grants from foundations	639,539	811,878
Bequests	324,873	412,160
Investment income (Note 9)	80,929	200,825
Sundry revenue	11,621	6,321
	<u>2,459,879</u>	<u>3,247,799</u>
Expenditures		
Salaries and benefits	450,275	427,322
Advertising, direct mail and printing	232,320	188,459
Purchased services	135,062	175,076
Rent, office and administration	132,511	99,499
Travel, training and meetings	22,270	13,267
Amortization	3,715	2,670
	<u>976,153</u>	<u>906,293</u>
Excess of revenue over expenditures before grants	1,483,726	2,341,506
Grants to L'Arche (Note 6)	1,622,970	1,510,523
Grants to L'Arche communities	109,538	818,756
	<u>1,732,508</u>	<u>2,329,279</u>
(Deficiency) excess of revenue over expenditures for the year	\$ (248,782)	\$ 12,227

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			2018	2017
	Unrestricted	Internally Restricted Endowment Fund	Total	Total
Net assets, beginning of the year	\$ 2,609,204	\$ -	\$ 2,609,204	\$ 2,596,977
(Deficiency) excess of revenue over expenditures for the year	(248,782)	-	(248,782)	12,227
Interfund transfer (Note 8)	(1,500,000)	1,500,000	-	-
Endowments raised during the year (Note 8)	-	186,585	186,585	-
Net assets, end of year	\$ 860,422	1,686,585	\$ 2,547,007	\$ 2,609,204

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	2018	2017
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures for the year	\$ (248,782)	\$ 12,227
Items not affecting cash		
Amortization	3,715	2,670
Unrealized gain on investments	(15,839)	(102,217)
Gain on disposal of investments	(1,050)	(2,345)
Changes in non-cash working capital balances		
Accounts receivable	(18,049)	90,394
Sales taxes recoverable	(274)	(21,233)
Prepaid expenses	12,185	(18,960)
Accounts payable and accrued liabilities	11,231	30,675
Deferred revenue	434,365	378,180
	<u>177,502</u>	<u>369,391</u>
Cash flows from investing activities		
Loan to L'Arche	184,068	(204,981)
Purchase of investments	(170,172)	(226,600)
Proceeds on disposal of investments	12,846	19,136
Purchase of capital assets	-	(7,260)
	<u>26,742</u>	<u>(419,705)</u>
Cash flows from financing activity		
Increase in restricted Endowment Fund	186,585	-
	<u>186,585</u>	<u>-</u>
Increase (decrease) in cash during the year	390,829	(50,314)
Cash, beginning of year	247,272	297,586
Cash, end of year	\$ 638,101	\$ 247,272

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

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2018

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 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.</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, accounts receivable and loan to L'Arche.</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, 2018

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, 2018

2. Investments

	2018		2017	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 303,886	\$ 303,886	\$ 526,300	\$ 526,300
Burgundy Balanced Foundation Fund	1,926,688	2,217,213	1,532,120	1,806,806
Marketable securities	20,497	20,504	34,940	34,282
	\$ 2,251,071	\$ 2,541,603	\$ 2,093,360	\$ 2,367,388

The guaranteed investment securities bear annual interest varying between 0.75% and 0.85% (2017 - between 0.75% and 0.85%) and mature July 2019 (2017 - between January and July 2019).

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 15,390	\$ 12,037	\$ 15,390	\$ 8,322
Net book value		\$ 3,353		\$ 7,068

4. Loan to L'Arche

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, 2018, \$20,913 (2017 - \$204,981) was outstanding, this amount bears annual interest of 1.5% and is repayable on demand.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2018

5. Accounts Payable and Accrued Liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 57,387	\$ 89,536
Grant payable to L'Arche	43,380	-
	\$ 100,767	\$ 89,536

6. 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 \$1,622,970 (2017 - \$1,510,523) 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.

7. Deferred Revenue

	2018	2017
Balance, beginning of year	\$ 378,180	\$ -
Received from L'Arche ⁽¹⁾	-	280,049
Received for L'Arche Haiti (Chantal) community ⁽²⁾	-	98,131
Invested for L'Arche Antigonish ⁽³⁾	250,000	-
Other restricted donations	184,365	-
	\$ 812,545	\$ 378,180

⁽¹⁾ Deferred revenue received from L'Arche, includes an amount of \$280,049 claimed from L'Arche in 2017. For the year ending March 31, 2018, no further funds (2017 - \$100,000) were transferred to the Foundation and the balance of \$180,049 (2017 - \$180,049) is included in accounts receivable. This amount was designated donations for the L'Arche Haiti (Carrefour) relocation project, transferred in a prior year, and not used as of March 31, 2018.

⁽²⁾ This amount was designated donations for the L'Arche Haiti (Chantal) relocation project, raised in 2017, and was not used as of March 31, 2018.

⁽³⁾ This amount is a designated donation for L'Arche Antigonish and is invested on a medium term basis for that community.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2018

8. 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.

During the year, the board of directors approved the transfer of \$1,500,000 (2017 - \$Nil) from the Unrestricted Fund to create an Internally Restricted Fund.

The Restricted Funds provide resources for consistent and enduring growth of L'Arche initiatives in Canada. The balance of restricted funds of \$186,585 (2017 - \$Nil) are endowments raised during the year.

9. Investment Income

Investment income is derived from the following sources:

	<u>2018</u>	<u>2017</u>
Interest	\$ 6,456	\$ 5,341
Pooled fund distributions	57,584	90,922
Unrealized gain in fair value of investments	15,839	102,217
Realized gain on disposal of investments	1,050	2,345
	<u>\$ 80,929</u>	<u>\$ 200,825</u>

10. Commitments

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

2019	\$ 55,042
2020	55,042
2021	<u>18,347</u>
	<u>\$ 128,431</u>

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2018

11. 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.

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, 2018 was \$953,402 (2017 - \$715,495).

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2018

11. Financial Instruments (Continued)

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 year.
