

**L'Arche Canada Foundation**  
**Financial Statements**  
**For the year ended March 31, 2020**

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Financial Statements  
For the year ended March 31, 2020**

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**Contents**

<b>Independent Auditor's Report</b>	<b>3 - 5</b>
<b>Financial Statements</b>	
Statement of Financial Position	6
Statement of Changes in Net Assets	7
Statement of Revenue and Expenditures	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 16



Tel: 514-931-0841  
Fax: 514-931-9491  
www.bdo.ca

BDO Canada s.r.l./S.E.N.C.R.L./LLP  
1000 De La Gauchetière Street West  
Suite 200  
Montréal, Québec H3B 4W5

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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 statement of financial position as at March 31, 2020, the statements of revenue and expenditures, 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, 2020, 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.

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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## Independent Auditor's Report

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### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

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.

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## Independent Auditor's Report

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- 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 s.r.l. / S.E.N.C.R.L. / LLP<sup>1</sup>*

Montréal, Québec  
September 21, 2020

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A125417

## L'Arche Canada Foundation Statement of Financial Position

March 31	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 808,632	\$ 492,490
Accounts receivable	1,109	8,133
Sales taxes recoverable	26,892	27,444
Loan to L'Arche	-	37,284
Prepaid expenses and other assets	14,784	17,896
	851,417	583,247
Investments (Note 2)	3,167,043	2,704,194
	\$ 4,018,460	\$ 3,287,441
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 70,847	\$ 37,082
Accounts payable to L'Arche	71,933	-
Deferred donations (Note 4)	1,082,427	629,087
	1,225,207	666,169
<b>Net Assets</b>		
Unrestricted Funds	316,891	650,840
Endowment Fund	1,500,000	1,500,000
Externally Restricted Endowment Fund	976,362	470,432
	2,793,253	2,621,272
	\$ 4,018,460	\$ 3,287,441

**Subsequent Event (Note 7)**

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

<b>For the year ended March 31</b>	<b>Unrestricted Funds</b>	<b>Endowment Fund</b>	<b>Externally Restricted Endowment Fund</b>	<b>2020 Total</b>	<b>2019 Total</b>
Net assets, beginning of the year	\$ 650,840	\$ 1,500,000	\$ 470,432	\$ 2,621,272	\$ 2,547,007
Deficiency of revenue over expenditures for the year	(333,949)	-	-	(333,949)	(209,582)
Endowments received during the year	-	-	505,930	505,930	283,847
<b>Net assets, end of the year</b>	<b>\$ 316,891</b>	<b>\$ 1,500,000</b>	<b>\$ 976,362</b>	<b>\$ 2,793,253</b>	<b>\$ 2,621,272</b>

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

## L'Arche Canada Foundation Statement of Revenue and Expenditures

For the year ended March 31	2020	2019
<b>Revenue</b>		
General donations	\$ 1,498,489	\$ 1,988,730
Grants from foundations	1,502,696	699,433
Bequests	465,901	20,321
Sundry revenue	32,155	7,985
Investment (loss) income (Note 5)	(277,894)	158,637
	<u>3,221,347</u>	<u>2,875,106</u>
<b>Expenditures</b>		
Salaries and benefits	556,714	413,838
Advertising, direct mail and printing (Note 3)	446,702	189,271
Rent, office and administration	162,454	128,164
Purchased services (Note 3)	100,484	116,166
Travel, training and meetings	10,013	10,859
Amortization of other assets	1,365	2,557
	<u>1,277,732</u>	<u>860,855</u>
<b>Excess of revenues over expenditures before grants</b>	<b>1,943,615</b>	<b>2,014,251</b>
<b>Grants to L'Arche (Note 3)</b>	<b>1,430,354</b>	<b>1,926,427</b>
<b>Grants to L'Arche communities (Note 3)</b>	<b>847,210</b>	<b>297,406</b>
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (333,949)</b>	<b>\$ (209,582)</b>

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	2020	2019
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenditures for the year	\$ (333,949)	\$ (209,582)
Items not affecting cash		
Amortization of other assets	1,365	2,557
Unrealized loss (gain) on fair value of investments	385,377	(56,971)
Realized gain on disposal of investments	(2,252)	(1,843)
	50,541	(265,839)
Changes in non-cash working capital		
Accounts receivable	7,024	9,916
Sales taxes recoverable	552	15,912
Prepaid expenses and other assets	1,747	(2,206)
Accounts payable and accrued liabilities	33,765	(63,685)
Accounts payable to L'Arche	71,933	-
Deferred donations	453,340	(183,458)
	618,902	(489,360)
<b>Cash flows from investing activities</b>		
Loan to L'Arche	37,284	163,678
Purchase of investments	(1,167,075)	(118,092)
Proceeds on disposal of investments	321,101	14,316
	(808,690)	59,902
<b>Cash flows from financing activity</b>		
Increase in externally restricted endowment fund	505,930	283,847
<b>Net increase (decrease) in cash during the year</b>	<b>316,142</b>	<b>(145,611)</b>
Cash, beginning of the year	492,490	638,101
<b>Cash, end of the year</b>	<b>\$ 808,632</b>	<b>\$ 492,490</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, 2020

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## 1. Significant Accounting Policies

### Nature and 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 internally restricted accumulated contributions received that are to be preserved by the Foundation.

Externally Restricted Endowment Fund represents amounts received by donors that are to be preserved by the Foundation.

### 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.

Restricted net investment income is recognized as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets. Unrestricted net investment income is recognized as revenue when earned.

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# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2020

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### 1. Significant Accounting Policies (continued)

#### Investments

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 statement of revenue and expenditures as investment income.

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.

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.

#### Capital Assets

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:

Office equipment	3-5 years straight-line basis
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#### Financial Instruments

##### *Measurement of Financial Instruments*

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, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expenditures.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable.

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# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2020

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### 1. Significant Accounting Policies (continued)

<b>Financial Instruments (continued)</b>	<p><i>Impairment</i></p> <p>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 the statement of revenue and 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 the statement of revenue and expenditures.</p> <p><i>Transaction Costs</i></p> <p>The Foundation recognizes its transaction costs for financial instruments at fair value in the statement of revenue and 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.</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>
<b>Use of Estimates</b>	<p>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.</p>
<b>Income Tax Status</b>	<p>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>.</p>

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## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2020

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### 2. Investments

The carrying amounts of investments are comprised of the following:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 504,950	\$ 504,950	\$ 306,558	\$ 306,558
Burgundy balanced Foundation Fund	2,695,545	2,657,664	2,048,134	2,395,630
Demand deposit	4,429	4,429	2,006	2,006
	<b>\$ 3,204,924</b>	<b>\$ 3,167,043</b>	<b>\$ 2,356,698</b>	<b>\$ 2,704,194</b>

The guaranteed investment certificates bear annual interest varying between 1.45% and 2.00% (2019 - 0.85%) and mature between September 2020 and March 2021 (2019 - July 2019).

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### 3. Related Party Transactions

The Foundation is controlled by L'Arche that has the ability to appoint all of the Directors of the Foundation.

	2020	2019
Support of L'Arche programs	\$ 1,400,000	\$ 1,926,427
Fundraising management services and advertising expenses with L'Arche	\$ 70,283	\$ -
Support of local communities	\$ 854,710	\$ 297,050

In March 2020, the Foundation signed a management agreement with L'Arche for assistance in relation to their fundraising activities. This agreement commits the Foundation to approximately \$20,000 a month until the agreement is terminated.

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.

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## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2020

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#### 4. Deferred Donations

	2020	2019
Received from L'Arche <sup>(1)</sup>	\$ 213,673	\$ 213,673
Invested for L'Arche Antigonish <sup>(2)</sup>	412,000	250,000
Other restricted donations	456,754	165,414
Balance, end of year	\$ 1,082,427	\$ 629,087

(1) Deferred donations received from L'Arche in 2017 which was designated for the L'Arche Haiti (Carrefour and Chantal) relocation projects. During the year, \$Nil (2019 - \$163,678) was transferred to the Foundation.

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

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#### 5. Investment (Loss) Income

	2020	2019
Interest	\$ 6,329	\$ 3,056
Pooled fund distributions	98,902	96,767
Unrealized (loss) gain on fair value of investments	(385,377)	56,971
Realized gain on disposal of investments	2,252	1,843
	\$ (277,894)	\$ 158,637

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# L'Arche Canada Foundation

## Notes to Financial Statements

March 31, 2020

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### 6. 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. 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.

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, currency risk and price risk. Each of these risks is discussed hereunder.

#### 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.

#### 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, 2020 was \$590,001 (2019 - \$1,036,350).

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## L'Arche Canada Foundation Notes to Financial Statements

March 31, 2020

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### 6. 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 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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### 7. Subsequent Event

Subsequent to year-end, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine periods, have caused disruption to businesses globally, which are resulting in an economic slowdown. The Foundation's activities never ceased, even during the outbreak between March 2020 and May 2020. It is not possible to reliably estimate the length or effect of these developments, including the impact on the financial results of the Foundation in future periods.

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