

L'Arche Canada Foundation
Financial Statements
For the year ended March 31, 2013

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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, 2013, 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 year ended March 31, 2013, current assets as at March 31, 2013, and net assets as at April 1, 2012 and March 31, 2013. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2012 was modified because of the possible effects of a similar 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, 2013, 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.



Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that the Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Other Matter

The financial statements of the Foundation for the year ended March 31, 2012 were audited by another auditor who expressed a qualified opinion on those financial statements on July 31, 2012 for the reasons described in the Basis for Qualified Opinion paragraph.

A handwritten signature in black ink that reads "BDO Canada LLP". The signature is written in a cursive, flowing style.

Chartered Accountants, Licensed Public Accountants

Markham, Ontario
September 5, 2013

L'Arche Canada Foundation
Statement of Financial Position

	March 31 2013	(Unaudited) March 31 2012	(Unaudited) April 1 2011
Assets			
Current			
Cash	\$ 522,196	\$ 267,455	\$ 325,868
Accounts receivable	1,110	189	79,041
Sales taxes recoverable	29,714	33,817	32,282
Prepaid expenses	5,750	6,126	6,419
	558,770	307,587	443,610
Investments (Note 3)	1,398,704	1,459,716	1,114,541
Capital assets (Note 4)	3,000	4,000	-
	\$ 1,960,474	\$ 1,771,303	\$ 1,558,151

Liabilities and Net Assets

Current			
Accounts payable and accrued liabilities (Note 5)	\$ 40,001	\$ 133,105	\$ 109,619
Deferred grant revenue	158	158	68,592
	40,159	133,263	178,211
Net Assets (Note 6)			
Unrestricted	2,248	39,985	156,628
Internally restricted	1,918,067	1,598,055	1,223,312
	1,920,315	1,638,040	1,379,940
	\$ 1,960,474	\$ 1,771,303	\$ 1,558,151

On behalf of the Board:

_____ Director

_____ Director

L'Arche Canada Foundation
Statement of Operations

For the year ended March 31	2013	(Unaudited) 2012
Revenue		
General donations	\$ 1,445,155	\$ 1,116,855
Grants from foundations	467,324	694,247
Bequests	92,006	139,898
Other designated grants	70,000	82,851
Sundry revenue	9,258	6,726
Investment income (loss) (Note 7)	30,196	(38,406)
	2,113,939	2,002,171
Expenditures		
Grants to L'Arche in Canada (Note 5)	1,164,806	1,092,447
Salaries and benefits	245,241	257,223
Grants to L'Arche communities in Canada	96,652	18,125
Advertising, direct mail and printing	125,661	141,758
Grants disbursed for other designated projects	70,000	82,851
Rent, office, and administration	72,421	72,712
Purchased services	39,945	64,358
Travel, training, and meetings	15,938	13,597
Amortization expense	1,000	1,000
	1,831,664	1,744,071
Excess of revenue over expenditures	282,275	258,100
Net assets, beginning of year	1,638,040	1,379,940
Net assets, end of year	\$ 1,920,315	\$ 1,638,040

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	2013		(Unaudited) 2012
	Unrestricted	Internally Restricted Vanier Legacy Fund	Total
Net assets, beginning of the year	\$ 39,985	\$ 1,598,055	\$ 1,638,040
Excess (deficiency) of revenue over expenditures (Note 6)	(97,737)	380,012	282,275
Interfund transfer	60,000	(60,000)	-
Net assets, end of year	\$ 2,248	\$ 1,918,067	\$ 1,920,315
			\$ 1,638,040

L'Arche Canada Foundation
Statement of Cash Flows

For the year ended March 31	2013	(Unaudited) 2012
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 282,275	\$ 258,100
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	(11,856)	-
Loss on disposal of investments	-	38,406
Changes in non-cash working capital balances		
Accounts receivable	(921)	78,852
Sales tax recoverable	4,103	(1,535)
Prepaid expenses	376	293
Accounts payable and accrued liabilities	(93,104)	23,486
Deferred grant revenue	-	(68,434)
	181,873	330,168
Investing activities		
Sale/redemption (purchase) of investments	72,868	(383,581)
Purchase of capital assets	-	(5,000)
	72,868	(388,581)
Net change in cash	254,741	(58,413)
Cash, beginning of year	267,455	325,868
Cash, end of year	\$ 522,196	\$ 267,455

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

L'Arche Canada Foundation

Notes to Financial Statements

March 31, 2013

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, 2013

1. Summary of Significant Accounting Policies (continued)

- e. Financial Instruments** Financial instruments are recorded at fair value when acquired or issued. All investments in guaranteed investment certificates and pooled funds 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, 2013

2. First-time Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective April 1, 2012, the Foundation adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Foundation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exemptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of an opening ASNPO balance sheet at the date of transition April 1, 2011.

The Foundation issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. There was no impact to net assets and excess of revenue over expenditures reported in the Foundation's most recent previously issued financial statements.

The following exemptions were used at the date of transition to ASNPO:

Related party transactions

The Foundation elected not to restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition.

Estimates

In accordance with ASNPO, the Foundation has applied the mandatory exception from full retrospective application of ASNPO with respect to estimates. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Foundation are consistent with their application under ASNPO as of April 1, 2011.

L'Arche Canada Foundation
Notes to Financial Statements

March 31, 2013

3. Investments

	2013		(Unaudited) 2012	
	Cost	Market Value	Cost	Market Value
	Guaranteed Investment Certificates	\$ 400,000	\$ 400,000	\$ 484,287
Burgundy Money Market Fund	246,925	246,819	976,075	975,429
Burgundy Balanced Foundation Fund	740,569	751,885	-	-
	\$ 1,387,494	\$ 1,398,704	\$ 1,460,362	\$ 1,459,716

The guaranteed investment securities bear interest at 1.25% (2012 - 1.15%) and mature in September 2016 (2012 - January to March 2015).

As at March 31, 2013 the Foundation held \$nil (2012 - \$84,592) in trust for an unrelated charitable entity. This amount is included in both investments and accounts payable in these financial statements. Any income earned on the balance is credited directly to the trust account.

4. Capital Assets

	2013		(Unaudited) 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	Office equipment	\$ 5,000	\$ 2,000	\$ 5,000
Net book value		\$ 3,000		\$ 4,000

5. Related Party

The Foundation is related to L'Arche Canada and during the year remitted \$1,234,806 (2012 - \$1,092,447) in support of L'Arche Canada programs. At March 31, 2013, \$6,000 (2011 - \$10,000) 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, 2013

6. 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	2013	(Unaudited) 2012
Balance, beginning of the year	\$ 39,985	\$ 1,598,055	\$ 1,638,040	\$ 1,379,940
Revenue	1,531,743	582,196	2,113,939	2,002,171
Expenditures	(1,629,480)	(202,184)	(1,831,664)	(1,744,071)
Excess (deficiency) of revenue over expenditures	(97,737)	380,012	282,275	258,100
Interfund transfer	60,000	(60,000)	-	-
Balance, end of the year	<u>\$ 2,248</u>	<u>\$ 1,918,067</u>	<u>\$ 1,920,315</u>	<u>\$ 1,638,040</u>

7. Investment Income (Loss)

Investment income is derived from the following sources:

	2013	(Unaudited) 2012
Interest	\$ 5,816	\$ -
Pooled fund distributions	12,524	-
Unrealized gains	11,856	-
Realized losses	-	(38,406)
	<u>\$ 30,196</u>	<u>\$ (38,406)</u>

8. Commitments

Minimum annual lease payments for office rental are as follows:

Year	Amount
2014	\$ 43,700
2015	44,000
2016	11,000
	<u>\$ 98,700</u>

L'Arche Canada Foundation
Notes to Financial Statements

March 31, 2013

9. 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.