

L'Arche Canada Foundation
Financial Statements
For the year ended March 31, 2016

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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, 2016, 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, 2016, 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.r.l. / S.E.N.C.R.L. / LLP

Licensed public accountant

Toronto, Ontario
June 20, 2016

L'Arche Canada Foundation Statement of Financial Position

March 31	2016	2015
Assets		
Current		
Cash	\$ 297,586	\$ 75,933
Accounts receivable	270,443	184,071
Sales taxes recoverable	21,849	22,242
Prepaid expenses	8,120	4,856
	597,998	287,102
Investments (Note 2)	2,055,362	2,262,233
Capital assets (Note 3)	2,478	4,304
	\$ 2,655,838	\$ 2,553,639
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 58,861	\$ 58,752
Net Assets (Note 5)		
Unrestricted	41,726	22,824
Internally restricted	2,555,251	2,472,063
	2,596,977	2,494,887
	\$ 2,655,838	\$ 2,553,639

On behalf of the Board

_____ Director

_____ Director

L'Arche Canada Foundation Statement of Income

For the year ended March 31	2016	2015
Revenue		
General donations	\$ 1,854,442	\$ 1,829,753
Grants from foundations	849,667	495,246
Bequests	19,685	193,724
Other designated grants	100,000	100,000
Sundry revenue	5,582	5,915
Investment income (Note 6)	13,355	208,311
	2,842,731	2,832,949
Expenditures		
Grants to L'Arche in Canada (Note 4)	1,605,950	1,611,607
Salaries and benefits	216,179	136,067
Purchased services	321,205	277,871
Grants to L'Arche communities in Canada	226,013	149,781
Advertising, direct mail and printing	147,734	150,889
Designated grants, L'Arche Canada Outreach	100,000	100,000
Rent, office, and administration	90,108	96,404
Travel, training, and meetings	31,626	20,438
Amortization expense	1,826	1,826
	2,740,641	2,544,883
Excess of revenue over expenditures for the year	\$ 102,090	\$ 288,066

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	2016			2015
	Unrestricted	Internally Restricted Vanier Legacy Fund	Total	Total
Net assets , beginning of the year	\$ 22,824	\$ 2,472,063	\$ 2,494,887	\$ 2,206,821
(Deficiency) excess of revenue over expenditures (Note 5)	(401,098)	503,188	102,090	288,066
Interfund transfer (Note 5)	420,000	(420,000)	-	-
Net assets , end of year	\$ 41,726	\$ 2,555,251	\$ 2,596,977	\$ 2,494,887

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	2016	2015
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 102,090	\$ 288,066
Items not affecting cash		
Amortization	1,826	1,826
Unrealized loss (gain) on investments	70,435	(106,793)
Gain on disposal of investments	(2,512)	(5,899)
Changes in non-cash working capital balances		
Accounts receivable	(86,372)	(183,069)
Sales tax recoverable	393	(4,158)
Prepaid expenses	(3,264)	-
Accounts payable and accrued liabilities	109	30,026
Deferred grant revenue	-	(158)
	82,705	19,841
Cash flows from investing activities		
Purchase of investments	(75,541)	(156,076)
Proceeds on disposal/redemption of investments	214,489	16,418
Purchase of capital assets	-	(4,130)
	138,948	(143,788)
Increase (decrease) in cash during the year	221,653	(123,947)
Cash, beginning of year	75,933	199,880
Cash, end of year	\$ 297,586	\$ 75,933

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

L'Arche Canada Foundation

Notes to Financial Statements

March 31, 2016

Financial liabilities measured at amortized cost include accounts payable.

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, 2016

2. Investments

	2016		2015	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates	\$ 424,903	\$ 424,903	\$ 620,000	\$ 620,000
Burgundy Balanced Foundation Fund	<u>1,457,989</u>	<u>1,630,459</u>	1,399,329	1,642,233
	<u>\$ 1,882,892</u>	<u>\$ 2,055,362</u>	<u>\$ 2,019,329</u>	<u>\$ 2,262,233</u>

The guaranteed investment securities bear interest at 0.85% (2015 - 1.15%) and mature on January 28, 2019 (2015 - between October 2017 and January 2018).

3. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 8,130	\$ 5,652	\$ 8,130	\$ 3,826
Net book value		<u>\$ 2,478</u>		<u>\$ 4,304</u>

4. Related Party

The Foundation is related to L'Arche Canada and during the year remitted \$1,605,950 (2015 - \$1,611,607) in support of L'Arche Canada programs. At March 31, 2016, \$Nil (2015 - \$28,942) 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, 2016

5. Unrestricted and Internally Restricted Funds

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 transfer of \$420,000 (2015 - \$200,000) from the Internally restricted Vanier Legacy fund to the Unrestricted fund in order to reduce the deficit of the Unrestricted fund.

	Unrestricted	Internally Restricted Vanier Legacy Fund	2016	2015
Balance, beginning of the year	\$ 22,824	\$ 2,472,063	\$ 2,494,887	\$ 2,206,821
Revenue	2,077,288	765,443	2,842,731	2,832,949
Expenditures	(2,478,386)	(262,255)	(2,740,641)	(2,544,883)
(Deficiency) excess of revenue over expenditures	(401,098)	503,188	102,090	288,066
Interfund transfer	420,000	(420,000)	-	-
Balance, end of the year	\$ 41,726	\$ 2,555,251	\$ 2,596,977	\$ 2,494,887

6. Investment Income

Investment income is derived from the following sources:

	2016	2015
Interest	\$ 5,596	\$ 5,302
Pooled fund distributions	75,682	90,317
Unrealized (loss) gain in fair value of investments	(70,435)	106,793
Realized gain on disposal of investments	2,512	5,899
	\$ 13,355	\$ 208,311

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2016

7. Commitments

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

2017	\$	50,639
2018		53,574
2019		55,042
2020		55,042
2021		18,347
		<hr/>
	\$	232,644

The lease is subject to a cancellation option within four months notice on or prior to July 2017.

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 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 its accounts receivable. The Foundation works to ensure that the receivables meet all eligibility criteria in order to qualify to receive the funding.

The Foundation has a concentration of credit risk with respect to accounts receivable from one donor. As at March 31, 2016, this donor accounted for 98% of all accounts receivable and the total amount owed to the Foundation was received in April 2016.

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

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.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2016

8. Financial Instruments (Continued)

Market risk comprises three types of risk: interest rate risk, other 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.

Other 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.

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, 2016 was \$652,184 (2015 - \$706,160).

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