

L'Arche Canada
Financial Statements
For the year ended March 31, 2023

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For the year ended March 31, 2023

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Independent Auditor's Report

To the Members of
L'Arche Canada

Opinion

We have audited the financial statements of L'Arche Canada (the "Organization"), which comprise the statement of financial position as at March 31, 2023, the statements of revenue and expenditures, changes in fund balances 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 Organization as at March 31, 2023, 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 Organization 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.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Those charged with governance are responsible for overseeing the Organization'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.
- 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

- 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 Organization'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 Organization 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

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Montréal, Québec
September 20, 2023

¹ CPA auditor, public accountancy permit No. A125417

L'Arche Canada Statement of Financial Position

March 31	Operating Fund	Externally Restricted Fund	2023 Total	Operating Fund	Externally Restricted Fund	2022 Total
Assets						
Current						
Cash	\$ 195,985	\$ 23,641	\$ 219,626	\$ 132,016	\$ 73,935	\$ 205,951
Marketable securities (Note 2)	-	53,445	53,445	-	63,460	63,460
Accounts receivable (Note 3)	247,832	-	247,832	518,021	-	518,021
Prepaid expenses	131,660	-	131,660	50,632	-	50,632
	575,477	77,086	652,563	700,669	137,395	838,064
Capital assets (Note 4)	71,232	-	71,232	77,876	-	77,876
	\$ 646,709	\$ 77,086	\$ 723,795	\$ 778,545	\$ 137,395	\$ 915,940
Liabilities and Net Assets						
Current						
Accounts payable and accrued liabilities (Note 5)	\$ 198,374	\$ -	\$ 198,374	\$ 152,660	\$ -	\$ 152,660
Net Assets						
Internally restricted (Note 7)	96,894	-	96,894	102,291	-	102,291
Externally restricted (Note 6)	-	77,086	77,086	-	137,395	137,395
Unrestricted	351,441	-	351,441	523,594	-	523,594
	448,335	77,086	525,421	625,885	137,395	763,280
	\$ 646,709	\$ 77,086	\$ 723,795	\$ 778,545	\$ 137,395	\$ 915,940

On behalf of the Board:



Director



Director

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

L'Arche Canada
Statement of Changes in Fund Balances

For the year ended March 31	Operating Fund	Externally Restricted Fund (Note 6)	Internally Restricted Fund (Note 7)	2023 Total	2022 Total
Fund balances, beginning of the year	\$ 523,594	\$ 137,395	\$ 102,291	\$ 763,280	\$ 705,669
(Deficiency) excess of revenue over expenditures for the year	(214,324)	(23,535)	-	(237,859)	57,611
Transfers	42,171	(36,774)	(5,397)	-	-
Fund balances, end of the year	\$ 351,441	\$ 77,086	\$ 96,894	\$ 525,421	\$ 763,280

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

L'Arche Canada
Statement of Revenue and Expenditures

For the year ended March 31	Operating Fund	Externally Restricted Fund	2023 Total	Operating Fund	Externally Restricted Fund	2022 Total
Revenue						
Contributions from L'Arche Canada Foundation (Note 9)	\$ 1,300,000	\$ 734,976	\$ 2,034,976	\$ 1,300,000	\$ 1,337,474	\$ 2,637,474
Communities dues and events	969,346	-	969,346	887,838	-	887,838
Other contributions (Note 9)	174,307	207,377	381,684	33,255	309,648	342,903
Government grants (Note 8)	377,797	-	377,797	567,017	-	567,017
Management revenues from L'Arche Canada Foundation (Note 9)	625,052	-	625,052	515,683	-	515,683
	3,446,502	942,353	4,388,855	3,303,793	1,647,122	4,950,915
Expenditures						
Support to communities (Schedule)	1,700,274	258,764	1,959,038	1,377,404	1,035,073	2,412,477
Mission and public engagement (Schedule)	912,701	-	912,701	880,882	-	880,882
International development (Schedule)	321,815	707,124	1,028,939	321,127	648,692	969,819
Governance and administration (Schedule)	726,036	-	726,036	630,126	-	630,126
	3,660,826	965,888	4,626,714	3,209,539	1,683,765	4,893,304
(Deficiency) excess of revenue over expenditures for the year	\$ (214,324)	\$ (23,535)	\$ (237,859)	\$ 94,254	\$ (36,643)	\$ 57,611

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

L'Arche Canada Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures for the year	\$ (237,859)	\$ 57,611
Item not affecting cash:		
Amortization of capital assets	46,985	16,400
	(190,874)	74,011
Changes in non-cash working capital:		
Accounts receivable	270,189	(176,374)
Prepaid expenses	(81,028)	(25,752)
Accounts payable and accrued liabilities	45,714	(4,771)
	44,001	(132,886)
Cash flows from investing activities		
Proceeds from disposal of marketable securities	10,015	5,835
Acquisition of capital assets	(40,341)	(79,383)
	(30,326)	(73,548)
Net increase (decrease) in cash during the year	13,675	(206,434)
Cash, beginning of the year	205,951	412,385
Cash, end of the year	\$ 219,626	\$ 205,951

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

L'Arche Canada Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies

Nature and Purpose of Organization	<p>The Organization was constituted according to Part II of the <i>Canada Corporations Act</i> on January 22, 1992, was issued a Certificate of Continuance under the <i>Canada Not-for-profit Corporations Act</i> effective October 10, 2012 and is a charitable organization under the <i>Income Tax Act</i>.</p> <p>The mission of the Organization is to:</p> <ul style="list-style-type: none">- make known the gifts of people with intellectual disabilities revealed through mutually transforming relationships;- foster an environment in community that responds to the changing needs of our members, whilst being faithful to the core values of our founding story;- engage in our diverse cultures, working together toward a more human society.
Basis of Accounting	<p>The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations ("ASNPO").</p>
Use of Estimates	<p>The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include, but are not limited to, estimated useful life of assets and accruals. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Fund Accounting	<p>The Organization follows the restricted fund method.</p> <p>The Operating Fund includes for the Organization's administrative activities.</p> <p>The Externally Restricted Fund reports only restricted resources.</p> <p>The Internally Restricted Fund reports resources which the Board of Directors have allocated to specific usage.</p>

L'Arche Canada Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition Revenues from communities dues and contributions are recognized in the year they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenues from events are recognized when the events are held.

Restricted and unrestricted investment income is recognized as revenue of the related fund when earned.

Capital Assets Capital assets are stated at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Office equipment	30 % declining balance
Computer and media	3 years straight-line

Allocation of Expenses The Organization engages in various programs related to their purpose as set out above. The cost of each program includes the costs of personnel that are directly related to providing these programs. The allocation is based on the time devoted to each program.

Financial Instruments *Measurement of Financial Instruments*

The Organization initially measures its financial assets and liabilities at fair value. The Organization 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.

Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition.

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

Financial assets measured at fair value include marketable securities.

Financial liabilities measured at amortized cost include accounts payable.

L'Arche Canada Notes to Financial Statements

March 31, 2023

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

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 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.

Transaction Costs

The Organization 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.

Government Assistance

The Organization made periodic request for financial assistance under government incentive programs pursuant.

Government assistance received is included in the determination of net income for the year.

L'Arche Canada Notes to Financial Statements

March 31, 2023

2. Marketable Securities

Marketable securities are measured at fair value and comprised investments in mutual funds having a total cost of \$49,780 (2022 - \$56,602).

3. Accounts Receivable

	2023	2022
Communities	\$ 152,538	\$ 234,609
Sales taxes receivable	61,005	77,974
The International Federation of L'Arche Communities	6,262	130,287
L'Arche Canada Foundation	28,027	75,151
	<u>\$ 247,832</u>	<u>\$ 518,021</u>

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 37,710	\$ 6,822	\$ -	\$ -
Computer and media	154,653	114,309	152,022	74,146
	<u>192,363</u>	<u>121,131</u>	<u>152,022</u>	<u>74,146</u>
	<u>\$ 71,232</u>		<u>\$ 77,876</u>	

The amortization expense of capital assets for the year amounted to \$46,985 (2022 - \$16,400) and is included in governance and administration in the statement of revenue and expenditures.

5. Accounts Payable and Accrued Liabilities

	2023	2022
Accounts payable and accrued liabilities	\$ 145,448	\$ 138,200
Wages payable	52,926	14,460
	<u>\$ 198,374</u>	<u>\$ 152,660</u>

L'Arche Canada Notes to Financial Statements

March 31, 2023

6. Externally Restricted Fund

The Organization's externally restricted net assets are as follows:

	2023	2022
Financial support to communities	\$ 23,641	\$ -
Designated donations - International	-	73,935
Retirement fund - Investment	53,445	63,460
	<u>\$ 77,086</u>	<u>\$ 137,395</u>

During the year, there was a total of \$36,774 transferred from Externally Restricted Fund to Operating Fund (2022 - \$11,176 from Externally Restricted Fund to Operating Fund).

7. Internally Restricted Fund

The Organization's internally restricted net assets are as follows:

	2023	2022
Western region reserve	\$ 59,015	\$ 59,817
Financial support to communities	31,298	31,298
Retirement fund - Retired long-term assistants	6,581	11,176
	<u>\$ 96,894</u>	<u>\$ 102,291</u>

During the year, the Board of Directors approved the transfer of \$5,397 from Internally Restricted Fund to Operating Fund (2022 - \$42,474 from Externally Restricted Fund and Operating Fund to Internally Restricted Fund).

8. Government Grants

During the year, the Organization qualified for the Canada Emergency Wage Subsidy for an amount of \$Nil (2022 - \$199,189) and the amount is included in government grants in the statement of revenue and expenditures.

L'Arche Canada Notes to Financial Statements

March 31, 2023

9. Related Party Transactions

Certain transactions were concluded between the Organization and L'Arche Canada Foundation (Note 10) and details are as follows:

	<u>2023</u>	<u>2022</u>
Contributions from L'Arche Canada Foundation	\$ 1,300,000	\$ 1,300,000
Donations to local and international communities received from L'Arche Canada Foundation	\$ 734,976	\$ 1,337,474
Other contributions	\$ 56,983	\$ -
Management revenues from L'Arche Canada Foundation	\$ 625,052	\$ 515,683

L'Arche Canada is part of the federation of L'Arche Communities known as L'Arche International ("International"). During the year, L'Arche Canada paid \$149,819 (2022 - \$161,190) in membership fees to International. In addition, L'Arche Canada paid salaries and benefits of \$586,939 (2022 - \$463,351) on behalf of International which are not included in the statement of revenue and expenditures but included in the amount receivable from International.

These transactions were concluded in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Information Related to a Controlled Organization

The Board of Directors of the Organization has the ability to appoint all the Directors of L'Arche Canada Foundation (the "Foundation") and therefore effectively controls the Foundation. The Organization has elected to disclose all relevant information related to the Foundation in its notes to the financial statements and does not consolidate the Foundation's accounts in its financial statements.

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.

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.

Significant Accounting Policy that Differs from the Organization's Policy

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.

L'Arche Canada Notes to Financial Statements

March 31, 2023

10. Information Related to a Controlled Organization (continued)

Extracts of the Foundation's financial statements are as follows:

Statement of Financial Position

	2023	2022
Total assets	\$ 3,883,938	\$ 4,752,858
Total liabilities	264,861	595,570
Net assets	<u>\$ 3,619,077</u>	<u>\$ 4,157,288</u>

Statement of Revenue and Expenditures

	2023	2022
Revenues	\$ 2,282,454	\$ 3,119,383
Expenditures	742,049	678,979
Grants to L'Arche	2,093,146	2,765,045
Deficiency of revenue over expenditures for the year	<u>\$ (552,741)</u>	<u>\$ (324,641)</u>

Statement of Cash Flows

	2023	2022
Cash flow from operating activities	\$ (753,322)	\$ (727,148)
Cash flow from investing activities	\$ 345,923	\$ (166,312)
Cash flow from financing activity	\$ 14,530	\$ 611,011

Statement of Changes in Net Assets

	2023				2022
	Unrestricted Funds	Endowment Fund	Externally Restricted Endowment Fund	Total	Total
Net assets, beginning of the year	\$ 789,839	\$ 1,400,000	\$ 1,967,449	\$ 4,157,288	\$ 3,870,918
Deficiency of revenue over expenditures for the year	(498,248)	-	(54,493)	(552,741)	(324,641)
Endowments received during the year	-	-	14,530	14,530	611,011
Net assets, end of the year	\$ 291,591	\$ 1,400,000	\$ 1,927,486	\$ 3,619,077	\$ 4,157,288

L'Arche Canada Notes to Financial Statements

March 31, 2023

10. Information Related to a Controlled Organization (continued)

Unrestricted Funds

The Unrestricted Funds' net assets are available for use by the Foundation for day-to-day operating transactions and for transfers to other internally restricted funds.

Endowment Fund

This Fund represents accumulated contributions received that are to be preserved by the Foundation.

Externally Restricted Endowment Fund

This Fund represents amounts received that are disbursed in accordance with the restrictions stipulated by donors.

11. Financial Instruments

Risk management

The Organization is exposed to credit risk, liquidity risk, interest rate risk and other price risk with regards to its financial assets and liabilities. In general, the Organization management has the responsibility to establish and approve the Organization's policies in risk management. Ongoing risk assessments are being performed by management in order to ensure that all important inherent risks to the Organization and its operations have been examined and evaluated in a manner to account for market conditions and the Organization's operations. There have been no important changes to the Organization's risk management policies during the year.

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 Organization's financial instruments that are exposed to concentrations of credit risk are accounts receivable. The Organization manages this risk through regular monitoring of balances and continuous communication with debtors.

The Organization's cash and marketable securities are also subject to credit risk. The Organization limits its exposure to this risk by maintaining cash and marketable securities with major financial institutions. There has been change to the Foundation's exposure to credit risk since previous year due to its decrease in accounts receivable and marketable securities.

L'Arche Canada Notes to Financial Statements

March 31, 2023

11. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization 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 Organization continues to focus on maintaining adequate liquidity to meet operating working capital requirements. There has been change to the Organization's exposure to liquidity risk since previous year due to its increase in accounts payable.

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 Organization is exposed to this risk through marketable securities in interest bearing financial instruments. The Organization does not currently use any derivative instruments to mitigate this risk.

Other price risk

Other price risk 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 Organization is exposed to price risk from its marketable securities. The Organization moderates this risk through the selection and diversification of securities held.

**L'Arche Canada
Schedule**

For the year ended March 31, 2023	Salaries and Benefits	Office Expenses, Rent, Interest and Banking Charges	Administrative, Professional Fees and Membership Fees	Training and Activities	Traveling Expenses	Total Operating Fund Expenditures	Financial Support	Total
Support to communities	\$ 1,200,782	\$ 43,920	\$ 291,190	\$ 92,864	\$ 71,518	\$ 1,700,274	\$ 258,764	\$ 1,959,038
Mission and public engagement	516,872	2,512	194,583	158,321	40,413	912,701	-	912,701
International development	146,070	-	170,791	-	4,954	321,815	707,124	1,028,939
Governance and administration	389,411	81,208	226,209	15,555	13,653	726,036	-	726,036
	\$ 2,253,135	\$ 127,640	\$ 882,773	\$ 266,740	\$ 130,538	\$ 3,660,826	\$ 965,888	\$ 4,626,714

For the year ended March 31, 2022	Salaries and Benefits	Office Expenses, Rent, Interest and Banking Charges	Administrative, Professional Fees and Membership Fees	Training and Activities	Traveling Expenses	Total Operating Fund Expenditures	Financial Support	Total
Support to communities	\$ 1,021,830	\$ 10,597	\$ 259,053	\$ 57,286	\$ 28,638	\$ 1,377,404	\$ 1,035,073	\$ 2,412,477
Mission and public engagement	665,185	4,335	124,169	80,783	6,410	880,882	-	880,882
International development	136,374	-	179,095	5,658	-	321,127	648,692	969,819
Governance and administration	354,702	110,941	138,535	23,944	2,004	630,126	-	630,126
	\$ 2,178,091	\$ 125,873	\$ 700,852	\$ 167,671	\$ 37,052	\$ 3,209,539	\$ 1,683,765	\$ 4,893,304