

**L'Arche Canada Foundation
Financial Statements
For the year ended March 31, 2022**

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Financial Statements
For the year ended March 31, 2022

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Independent Auditor's Report

**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, 2022, 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, 2022, 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.

Independent Auditor's Report

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.

Independent Auditor's Report

- 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. / LLP¹

Montréal, Québec
September 8, 2022

¹ CPA auditor, public accountancy permit No. A125417

L'Arche Canada Foundation Statement of Financial Position

March 31	Operating Fund	Externally Restricted Endowment Fund	2022 Total	2021 Total
Assets				
Current				
Cash	\$ 830,255	\$ -	\$ 830,255	\$ 1,112,704
Accounts receivable	99,827	-	99,827	67,460
Sales taxes recoverable	16,611	-	16,611	24,322
Prepaid expenses and other assets	16,353	-	16,353	18,019
	963,046	-	963,046	1,222,505
Investments (Note 2)	1,822,363	1,967,449	3,789,812	3,707,131
	\$ 2,785,409	\$ 1,967,449	\$ 4,752,858	\$ 4,929,636
Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities	\$ 45,202	\$ -	\$ 45,202	\$ 36,155
Accounts payable to L'Arche	87,323	-	87,323	15,957
Deferred donations (Note 4)	463,045	-	463,045	1,006,606
	595,570	-	595,570	1,058,718
Net Assets				
Unrestricted Funds	789,839	-	789,839	1,127,528
Endowment Fund (Note 6)	1,400,000	-	1,400,000	1,400,000
Externally Restricted Endowment Fund	-	1,967,449	1,967,449	1,343,390
	2,189,839	1,967,449	4,157,288	3,870,918
	\$ 2,785,409	\$ 1,967,449	\$ 4,752,858	\$ 4,929,636

On behalf of the Board

_____ Director _____ Director

L'Arche Canada Foundation
Statement of Changes in Net Assets

For the year ended March 31	Unrestricted Funds	Endowment Fund	Externally Restricted Endowment Fund	2022 Total	2021 Total
Net assets, beginning of the year	\$ 1,127,528	\$ 1,400,000	\$ 1,343,390	\$ 3,870,918	\$ 2,793,253
(Deficiency) excess of revenue over expenditures for the year	(337,689)	-	13,048	(324,641)	942,548
Endowments received during the year	-	-	611,011	611,011	135,117
Net assets, end of the year	\$ 789,839	\$ 1,400,000	\$ 1,967,449	\$ 4,157,288	\$ 3,870,918

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	Operating Fund	Externally Restricted Endowment Fund	2022 Total	2021 Total
Revenue				
General donations	\$ 1,913,794	\$ -	\$ 1,913,794	\$ 1,341,200
Grants from foundations	716,334	-	716,334	244,634
Bequests	299,666	-	299,666	518,753
Sundry revenue (expenditures)	(1,993)	-	(1,993)	7,404
Investment income (Note 5)	51,922	76,313	128,235	758,106
Government grants	-	-	-	105,639
Endowment grant income	63,347	-	63,347	-
	3,043,070	76,313	3,119,383	2,975,736
Expenditures				
Professional fees (Note 3)	520,702	-	520,702	383,966
Fundraising costs	71,910	-	71,910	118,032
Office expenses and rent	71,700	-	71,700	94,451
Salaries and benefits	(123)	-	(123)	187,791
Interest and bank charges	11,792	-	11,792	13,400
Amortization of other assets	2,571	-	2,571	1,541
Training and activities	427	-	427	(504)
	678,979	-	678,979	798,677
Excess of revenue over expenditures before grants	2,364,091	76,313	2,440,404	2,177,059
Grants to L'Arche (Note 3)	2,701,780	63,265	2,765,045	1,234,511
(Deficiency) excess of revenue over expenditures for the year	\$ (337,689)	\$ 13,048	\$ (324,641)	\$ 942,548

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	2022	2021
Cash flows from operating activities		
(Deficiency) excess of revenue over expenditures for the year	\$ (324,641)	\$ 942,548
Items not affecting cash:		
Amortization of other assets	2,571	1,541
Unrealized loss (gain) on fair value of investments	201,336	(633,890)
Realized gain on disposal of investments	(117,705)	(1,186)
	<u>(238,439)</u>	<u>309,013</u>
Changes in non-cash working capital:		
Accounts receivable	(32,367)	(66,351)
Sales taxes recoverable	7,711	2,570
Prepaid expenses and other assets	(905)	(4,776)
Accounts payable and accrued liabilities	9,047	(34,692)
Accounts payable to L'Arche	71,366	(55,976)
Deferred donations	(543,561)	(75,821)
	<u>(727,148)</u>	<u>73,967</u>
Cash flows from investing activities		
Purchase of investments	(1,101,177)	(425,559)
Proceeds on disposal of investments	934,865	520,547
	<u>(166,312)</u>	<u>94,988</u>
Cash flows from financing activity		
Increase in Externally Restricted Endowment Fund	611,011	135,117
Net (decrease) increase in cash during the year	<u>(282,449)</u>	<u>304,072</u>
Cash, beginning of the year	<u>1,112,704</u>	<u>808,632</u>
Cash, end of the year	<u>\$ 830,255</u>	<u>\$ 1,112,704</u>

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

L'Arche Canada Foundation

Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies

Nature and 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 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> <p>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.</p> <p>Endowment Fund represents internally restricted accumulated contributions received that are to be preserved by the Foundation.</p> <p>Externally Restricted Endowment Fund represents amounts received by donors that are to be preserved by the Foundation.</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. Endowment contributions are recognized as direct increases to net assets in the current year.</p> <p>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.</p>
Investments	<p>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.</p>

March 31, 2022

Investments (continued) 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.

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:

Financial Instruments *Measurement of Financial Instruments*

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

Financial liabilities measured at amortized cost include accounts payable and accounts payable to L'Arche.

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.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2022

1. Significant Accounting Policies (continued)

Financial Instruments (continued)	Transaction Costs <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>
Contributed Goods and Services	<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>
Use of Estimates	<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>
Income Tax Status	<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>
Government Assistance	<p>The Foundation made periodic request for financial assistance under government incentive programs pursuant to the COVID-19 pandemic.</p> <p>Government assistance received during the year for current expenses is included in the determination of net income for the year.</p>

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2022

2. Investments

The carrying amounts of investments are comprised of the following:

	2022		2021	
	Cost	Market Value	Cost	Market Value
Guaranteed investment certificates	\$ 301,795	\$ 301,795	\$ 300,000	\$ 300,000
Burgundy balanced				
Foundation Fund	2,910,489	3,387,344	2,797,769	3,392,063
Demand deposit	100,673	100,673	15,068	15,068
	\$ 3,312,957	\$ 3,789,812	\$ 3,112,837	\$ 3,707,131

The guaranteed investment certificates bear annual interest at 0.45% (2021 - 0.60%) and mature in March 2023 (2021 - March 2022).

3. Related Party Transactions

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

	2022	2021
Support of L'Arche programs	\$ 2,765,045	\$ 1,234,511
Fundraising management services and advertising expenses with L'Arche	\$ 416,086	\$ 299,414

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. During the year, the employees of the Foundation were transferred to L'Arche; therefore, the amount of management services paid by the Foundation was increased to include salaries which are now paid by L'Arche.

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, 2022

4. Deferred Donations

	2022	2021
Received from L'Arche ⁽¹⁾	\$ 49,993	\$ 49,993
Invested for L'Arche Antigonish	-	412,000
Other restricted donations	413,052	544,613
	<u>413,052</u>	<u>544,613</u>
Balance, end of year	\$ 463,045	\$ 1,006,606
	<u>\$ 463,045</u>	<u>\$ 1,006,606</u>

⁽¹⁾ Deferred donations received from L'Arche in 2017 which was designated for the L'Arche Haiti (Carrefour and Chantal) relocation projects.

5. Investment Income (Loss)

	2022	2021
Interest	\$ 1,922	\$ 6,925
Pooled fund distributions	209,944	116,105
Unrealized (loss) gain on fair value of investments	(201,336)	633,890
Realized gain on disposal of investments	117,705	1,186
	<u>117,705</u>	<u>1,186</u>
	\$ 128,235	\$ 758,106
	<u>\$ 128,235</u>	<u>\$ 758,106</u>

6. Endowment Fund

During the year, the Board of Directors approved the transfer of \$Nil from Endowment Fund to Externally Restricted Endowment Fund (2021 - transfer of \$100,000).

7. Commitment

The Foundation entered into a lease agreement for its headquarters which expires in July 2024 for a total amount of \$51,377. The minimum annual lease payments for the next two years are as follows:

2023	\$ 38,533
2024	12,844
	<u>12,844</u>
	\$ 51,377
	<u>\$ 51,377</u>

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2022

8. Financial Instruments

Risk management

The Foundation is exposed to credit risk, liquidity risk, interest rate risk, currency risk and other price risk with regards to its financial assets and liabilities. In general, the Foundation management has the responsibility to establish and approve the Foundation's policies in risk management. Ongoing risk assessments are being performed by management in order to ensure that all important inherent risks to the Foundation and its operations have been examined and evaluated in a manner to account for market conditions and the Foundation's operations. There have been no important changes to the Foundation'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 Foundation's financial instruments that are exposed to concentrations of credit risk are accounts receivable. The Foundation manages this risk through regular monitoring of balances and continuous communication with debtors.

The Foundation's cash and marketable securities are also subject to credit risk. The Foundation limits its exposure to this risk by maintaining cash and investments with major financial institutions.

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 other price risk. Each of these risks is discussed hereunder.

L'Arche Canada Foundation Notes to Financial Statements

March 31, 2022

8. Financial Instruments (continued)

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, 2022 was \$1,510,417 (2021 - \$1,522,019).

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 Foundation is exposed to price risk from its investments. The Foundation moderates this risk through the selection and diversification of securities held.
