

L'ARCHE ASSOCIATION OF CALGARY
Financial Statements
Year Ended March 31, 2021

L'ARCHE ASSOCIATION OF CALGARY
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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of L'Arche Association of Calgary

Qualified Opinion

We have audited the financial statements of L'Arche Association of Calgary (the Association), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Association derives revenue from donations & fundraising, specifically from the community at large, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to donations & fundraising, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2021, current assets as at March 31, 2021, and net assets as at April 1 and March 31 for both 2021 and 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation of scope. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis of Qualified Opinion section above, we need to obtain sufficient appropriate evidence about the completeness of donations & fundraising revenues as at and for the year ended March 31, 2021. Accordingly we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

June 22, 2021

Dart Bryant LLP
Chartered Professional Accountants

L'ARCHE ASSOCIATION OF CALGARY
Statement of Financial Position
March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 201,677	\$ 125,409
Accounts receivable	7,263	184,180
Goods and services tax recoverable	16,865	15,002
Prepaid expenses	43,558	42,712
Due from related parties (Notes 4, 5)	12,908	2,621
Current portion of long term loan (Note 6)	-	100,000
GIC - internally restricted (Note 7)	1,203,897	-
	1,486,168	469,924
GUARENTEED INVESTMENT CERTIFICATES - INTERNALLY RESTRICTED (Note 7)	153,738	1,085,605
PROPERTY AND EQUIPMENT (Note 8)	815,678	839,521
	\$ 2,455,584	\$ 2,395,050
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 195,509	\$ 111,156
Community fee payable (Note 9)	70,862	71,823
Current portion of long term debt (Note 10)	24,081	22,736
	290,452	205,715
LONG TERM DEBT (Note 10)	80,282	104,973
DEFERRED CONTRIBUTIONS (Note 11)	113,325	124,307
	484,059	434,995
NET ASSETS		
Internally restricted (Note 12)	1,344,211	1,319,996
Internally restricted - invested in property and equipment	646,664	640,059
	1,971,525	1,960,055
	\$ 2,455,584	\$ 2,395,050

Commitments, dependence and contingencies (Notes 13, 14)

ON BEHALF OF THE BOARD

Michael J. Doty Director
[Signature] Director

L'ARCHE ASSOCIATION OF CALGARY
Statement of Operations
Year Ended March 31, 2021

	2021	2020
REVENUES		
PDD contracts	\$ 3,103,456	\$ 3,083,096
Seniors Housing	177,124	189,123
Room and Board	358,116	358,763
Donations & fundraising (\$161,409 from deferred contributions) (Note 11)	432,351	412,273
Investment earnings	35,351	35,001
Other	2,725	572
Covid subsidies and benefits	85,804	-
	<u>4,194,927</u>	<u>4,078,828</u>
EXPENSES		
Salaries, Benefits and other Personnel	3,302,250	3,122,078
Building Expense	260,486	186,604
Program Expenses	255,432	281,871
Property - Amortization	90,740	103,820
Memberships and training (Note 5)	91,803	124,110
Professional fees	95,073	99,020
Administration	87,673	121,103
	<u>4,183,457</u>	<u>4,038,606</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 11,470</u>	<u>\$ 40,222</u>

L'ARCHE ASSOCIATION OF CALGARY
Statement of Changes in Net Assets
Year Ended March 31, 2021

	General Unrestricted	Internally Restricted (Note 12)	Invested in Property and Equipment	2021	2020
NET ASSETS - beginning	\$ -	\$ 1,319,996	\$ 640,059	\$ 1,960,055	\$ 1,919,833
Excess of revenues over expenses	11,470	-	-	11,470	40,222
CHANGES IN PROPERTY AND EQUIPMENT					
- Amortization	90,740	-	(90,740)	-	-
- Repayment of long term debt related to capital	(23,346)	-	23,346	-	-
- Purchase of property & equipment	(66,897)	-	66,897	-	-
- Movement in deferred contributions related to capital	(7,102)	-	7,102	-	-
CHANGES IN RESERVES:					
- AHUA	(1,986)	1,986	-	-	-
- Replacement	(22,229)	22,229	-	-	-
NET ASSETS - end	\$ (19,350)	\$ 1,344,211	\$ 646,664	\$ 1,971,525	\$ 1,960,055

Invested in Property and Equipment consists of:

Net book value of property and equipment (Note 8)	\$ 815,678
Less: Related debt (Note 10)	\$ (104,363)
Less: Deferred contributions (Note 11) and other	\$ (64,651)
Total	<u>\$ 646,664</u>

L'ARCHE ASSOCIATION OF CALGARY
Statement of Cash Flows
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 11,470	\$ 40,222
Item not affecting cash:		
Amortization of property and equipment	90,740	103,820
	<u>102,210</u>	<u>144,042</u>
Changes in non-cash working capital:		
Accounts receivable	176,917	68,309
Accounts payable and accrued liabilities	84,354	13,963
Deferred contributions	(10,982)	(488,006)
Prepaid expenses	(846)	25,306
GST payable (receivable)	(1,864)	3,318
Community fee payable	(961)	(1,242)
	<u>246,618</u>	<u>(378,352)</u>
Cash flow from (used by) operating activities	<u>348,828</u>	<u>(234,310)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(66,897)	-
Restricted guaranteed investment certificates	(272,030)	198,817
Property held for sale proceeds	100,000	100,000
	<u>(238,927)</u>	<u>298,817</u>
Cash flow from (used by) investing activities	<u>(238,927)</u>	<u>298,817</u>
FINANCING ACTIVITIES		
Advances from (to) related parties	(10,287)	36,982
Current portion of long term debt	1,345	(1,383)
Long term debt	(24,691)	(22,676)
	<u>(33,633)</u>	<u>12,923</u>
Cash flow from (used by) financing activities	<u>(33,633)</u>	<u>12,923</u>
INCREASE IN CASH FLOW	76,268	77,430
Cash - beginning of year	<u>125,409</u>	<u>47,979</u>
CASH - END OF YEAR	\$ 201,677	\$ 125,409
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ 35,351</u>	<u>\$ 35,001</u>
Interest paid	<u>\$ (3,591)</u>	<u>\$ (5,103)</u>

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

1. PURPOSE

The mission of L'Arche is to create a faith-based community where people with disabilities and those who assist, live and share their lives together. The goals of L'Arche are to create homes and programs which enhance the quality of life for community members, to be an intentional sign that both weakness and strength are gifts from God and to develop human and material resources to fulfil our Mission.

The Association was incorporated under the Societies Act as a non-profit organization and is a registered charity under the Income Tax Act. As such, it is entitled to issue tax deductible receipts to its donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations on a going concern basis and include the following policies.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

The Association's financial instruments consist of cash and cash equivalents, accounts receivable, internally restricted cash and cash equivalents, goods and services tax recoverable, long term loan, all current liabilities and long-term debt are recorded at amortized cost.

Cash and cash equivalents

Cash and cash equivalents consist primarily of bank balances and deposits with an original maturity from date of purchase of three months or less.

Property and equipment

Property and equipment purchases greater than \$5,000 are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings - cost	40 years	straight-line method
Motor vehicles	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Leasehold improvements		straight line over lease term

(continues)

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long Lived Assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue recognition

The Association follows the deferral method of accounting for contributions which includes government funding and donations. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Room and board, rentals, day programs and other revenues are recorded as earned.

Contributed services

Volunteers contribute significant hours each year to assist L'Arche in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

In the financial statements of the Association, the more significant areas for which management is required to make estimates include the valuation and impairment of accounts receivable, restricted guaranteed investment certificates and property and equipment, the amounts of accrued liabilities and amount of deferred contributions (Note 11). Actual results could differ from these estimates.

Allocated expenses

All fundraising and general support expenses are included in the general unrestricted fund administration expenses and stated at gross amounts. See Note 16.

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

3. FINANCIAL INSTRUMENTS

Credit risk

Substantial portions of the Association's accounts receivable are with various government agencies which management consider as subject to minimal credit risks. Receivables from other associations, organizations and individuals are reviewed for collection risk and provisions are made as considered appropriate by management.

Fair Values of Financial Assets and Liabilities

Management believe that the carrying values of financial instruments included in the balance sheet, including long-term debt, approximate their fair value and no impairment is necessary. It is management's opinion that the Association is not exposed to significant interest rate risks arising from these instruments.

4. DUE FROM RELATED PARTIES

	2021	2020
L'Arche Canada	\$ -	\$ 2,621
L'Arche Saskatoon	12,908	-
	\$ 12,908	\$ 2,621

Receivables from related organizations are non-interest bearing and have no fixed repayment terms.

5. RELATED PARTY TRANSACTIONS

The following is a summary of the Association's related party transactions:

	2021	2020
L'Arche Canada & regional offices <i>(Related by means of significant influence)</i>		
Dues paid to L'Arche Canada	\$ 70,028	\$ 89,914
Benefits paid on behalf of L'Arche Saskatoon	80,444	92,912
Benefits recharged to L'Arche Saskatoon	(80,444)	(92,912)
Solidarity contributions made to L'Arche Canada	6,000	-
Travel costs reimbursed from L'Arche Canada	-	(411)
Grant received from L'Arche Canada	(10,000)	-
Donation received from L'Arche Foundation	(2,951)	-
Payments made to L'Arche International	150	-
Retreat fees paid to various regional offices	-	819
Payroll reimbursement received from L'Arche Canada	(1,000)	(11,407)
	\$ 62,227	\$ 78,915

These transactions are in the normal course of operations and are recorded at fair value which is estimated to be the amount of consideration established and agreed to by the related parties.

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

6. LONG TERM LOAN

The Millarville property was sold in May 2016 for \$600,000. The buyer made a down payment of \$200,000 and L'Arche provided a \$400,000 term loan at 2% for the buyer to repay the outstanding \$400,000. The loan was repayable at \$100,000 per year with interest at 2% per annum. The final payment of \$100,000 was received June 15, 2020 (2020 - \$100,000).

7. CASH AND CASH EQUIVALENTS - INTERNALLY RESTRICTED

	2021	2020
Deferred contributions (Note 11)	\$ 113,325	\$ 124,307
less PDD receivable	(15,904)	(186,948)
less capital amounts (net of amortization) spent on sprinkler system	(64,647)	(71,750)
add internally restricted net assets (Note 12)	1,324,861	1,319,996
less Millarville receivable (Note 6)	-	(100,000)
	1,357,635	1,085,605
Total restricted cash	1,357,635	1,085,605
Less current portion	(1,203,897)	-
	\$ 153,738	\$ 1,085,605

The Association has undertaken to specifically fund certain Deferred Contributions and all Restricted Net Assets. These amounts include cash and cash equivalents relating to the Alberta Housing and Urban Affairs (HUA) Replacement Reserve (see Note 12).

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 263,349	\$ -	\$ 263,349	\$ 263,349
Buildings	924,836	483,550	441,286	464,407
Motor vehicles	345,767	299,373	46,394	40,015
Furniture and equipment	394,431	329,782	64,649	71,750
Leasehold improvements	32,603	32,603	-	-
	\$ 1,960,986	\$ 1,145,308	\$ 815,678	\$ 839,521

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

9. COMMUNITY FEE PAYABLE

The payable relates to charges to the community employees to fund the long term needs of the L'Arche Community including sabbaticals, capital and operations. The payable is controlled by the Community Council.

	2021	2020
Opening balance	\$ 71,823	\$ 73,065
Payouts	(961)	(1,242)
Closing balance	\$ 70,862	\$ 71,823

10. LONG TERM DEBT

	2021	2020
<u>Marymount</u> Canada Mortgage & Housing Corporation first mortgage, repayable in monthly installments of \$400 up to and including July 1, 2025 including interest at an annual rate of 8%, with land and building pledged as security. This mortgage is subject to a reduction by the Federal government of \$852 which is recorded as earned. This resulted in an effective borrowing rate of 5.0%.	\$ 18,906	\$ 22,739
<u>Villa Maria</u> Canada Mortgage & Housing Corporation first mortgage, repayable in monthly installments of \$343 up to and including January 1, 2025 including interest at an annual rate of 8%, with land and building pledged as security. This mortgage is subject to a reduction by the Federal government of \$665 which is recorded as earned. This resulted in an effective borrowing rate of 5.1%.	14,662	18,090
<u>Annapurna</u> Canada Mortgage & Housing Corporation first mortgage, repayable in monthly installments of \$1,489 up to and including February 1, 2025 including interest at an annual rate of 0.69%, with land and building pledged as security.	70,795	86,880
	104,363	127,709
Less: current portion of long-term debt	(24,081)	(22,736)
	\$ 80,282	\$ 104,973

(continues)

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

10. LONG TERM DEBT (continued)

Principal repayment terms are approximately:

2022		\$	24,081
2023			24,752
2024			25,470
2025			24,299
2026			5,761
			\$ 104,363

11. DEFERRED CONTRIBUTIONS

	Opening	Restricted Contributions	To donations to match expense	Ending
Kinsmen - house projects	\$ -	\$ 8,000	\$ 8,000	\$ -
Day program equipment	-	10,000	10,000	-
Calgary Foundation Frontline relief support	-	75,000	43,750	31,250
Calgary Foundation technology upgrades	-	40,000	11,227	28,773
Sprinkler system:				
- CIP	15,750	-	15,750	-
- Seniors & Housing	36,000	-	125	35,875
- Enabling accessibility fund	20,000	-	20,000	-
Run for L'Arche	16,557	17,427	16,557	17,427
Seniors Housing replacement grant	36,000	-	36,000	-
	\$ 124,307	\$ 150,427	\$ 161,409	\$ 113,325

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

12. INTERNALLY RESTRICTED NET ASSETS

	Opening balance 2020	Transfers (to) from	Transfer from general unrestricted	Closing balance 2021
AHUA replacement reserve (1):				
- Annapurna	\$ 34,698	\$ -	\$ 1,986	\$ 36,684
- Kichiyak	13,616	-	-	13,616
Replacement reserves				
- Marymount	25,096	-	-	25,096
- Villa Maria	25,888	-	-	25,888
- Other	290,766	19,350	2,879	312,995
Mission reserve (2)	904,932	-	-	904,932
Transition reserve	-	5,501	-	5,501
Lumino Outreach Initiative	25,000	(24,851)	-	149
	<u>\$ 1,319,996</u>	<u>\$ -</u>	<u>\$ 4,865</u>	<u>\$ 1,324,861</u>

(1) Under the terms of the agreement with Alberta Seniors Housing Services Division, the Replacement Reserves are to be credited in amounts of \$1,725 annually for Annapurna plus interest. These funds together with accumulated interest must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Alberta Seniors Housing Services Division from time to time. The funds in the account may only be used as approved by Alberta Seniors Housing Services Division. Withdrawals are credited firstly to interest.

(2) The mission reserve consists of:

- Millarville property sale (2017)	\$ 600,000
- Rental property sale (2012)	407,000
- Other	14,401
- Lumino transfer (2018)	(25,000)
- Sprinkler system transfer (2018)	(91,469)
Balance:	<u>\$ 904,932</u>

13. ECONOMIC DEPENDENCE

The Association is dependent upon the Alberta Government and other interested individuals and organizations for funding in order to maintain operations.

14. LEASE COMMITMENTS

The Association occupies leased premises subject to minimum monthly rent of \$5,569 (2020:\$5,460) per month until August 31, 2022.

L'ARCHE ASSOCIATION OF CALGARY
Notes to Financial Statements
Year Ended March 31, 2021

15. HEALTH PANDEMIC

The World Health Organization categorized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has lead to a number of public health and emergency measures which have been put in place by various levels of government to attempt to combat the spread of the virus. At this time, the duration and potential impact of COVID-19 is unknown and it is not possible to reliably estimate the impact these events may have on the financial results and condition of the organization in future periods.

16. CHARITABLE FUND RAISING ACT

All expenses incurred for the purposes of soliciting contributions were \$79,089 (2020:\$35,004) which was paid as remuneration to employees and consultants whose principal duties involve fund-raising. The Association has made a decision not to operate any casinos in the future.
