

**L'ARCHE U.S.A.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2011**



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**KERN & THOMPSON, LLC**

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
L'Arche U.S.A.  
Portland, Oregon

We have audited the statement of financial position of L'Arche U.S.A. (a not-for-profit organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of L'Arche U.S.A. as of December 31, 2010 and, in our report dated September 16, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L'Arche U.S.A. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Kern & Thompson, LLC*

Portland, Oregon  
October 31, 2012

L'ARCHE U.S.A.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

(With Comparative Totals as of December 31, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 173,966	\$ 300,104
Accounts receivable	132,344	53,749
Pledges receivable	34,470	55,403
Grants receivable	42,852	10,800
Prepaid expenses	<u>20,500</u>	<u>7,111</u>
<b>Total assets</b>	<b><u>\$ 404,132</u></b>	<b><u>\$ 427,167</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,959	\$ 3,241
Accrued payroll and retirement payable	2,071	1,604
Designations payable	87,822	36,092
Deferred revenue	5,495	16,545
Long-term debt	<u>20,000</u>	<u>30,000</u>
<b>Total liabilities</b>	<b><u>117,347</u></b>	<b><u>87,482</u></b>
<b>Net assets</b>		
Unrestricted	152,223	189,331
Temporarily restricted	<u>134,562</u>	<u>150,354</u>
<b>Total net assets</b>	<b><u>286,785</u></b>	<b><u>339,685</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 404,132</u></b>	<b><u>\$ 427,167</u></b>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
<b>Public support</b>				
Community support	\$ 522,403	\$ -	\$ 522,403	\$ 445,388
Grants and contributions	170,994	343,978	514,972	322,454
In-kind contributions	4,770	-	4,770	14,400
Less net amounts designated	(210,392)	-	(210,392)	(145,028)
Total public support	<u>487,775</u>	<u>343,978</u>	<u>831,753</u>	<u>637,214</u>
<b>Other revenue</b>				
Registration fees	43,348	-	43,348	12,675
Interest	808	-	808	2,965
Other income	3,253	-	3,253	3,570
	<u>47,409</u>	<u>-</u>	<u>47,409</u>	<u>19,210</u>
Released from restriction	359,770	(359,770)	-	-
Total other revenue	<u>407,179</u>	<u>(359,770)</u>	<u>47,409</u>	<u>19,210</u>
<b>Total public support and other revenue</b>	<u>894,954</u>	<u>(15,792)</u>	<u>879,162</u>	<u>656,424</u>
<b>Expenses</b>				
Program services	733,750	-	733,750	551,097
Supporting services				
Management and general	84,003	-	84,003	73,504
Fund-raising	114,309	-	114,309	107,869
Total expenses	<u>932,062</u>	<u>-</u>	<u>932,062</u>	<u>732,470</u>
<b>Change in net assets</b>	<b>(37,108)</b>	<b>(15,792)</b>	<b>(52,900)</b>	<b>(76,046)</b>
Net assets, beginning of year	<u>189,331</u>	<u>150,354</u>	<u>339,685</u>	<u>415,731</u>
<b>Net assets, end of year</b>	<u>\$ 152,223</u>	<u>\$ 134,562</u>	<u>\$ 286,785</u>	<u>\$ 339,685</u>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2011	2010
Salaries and related expenses	\$ 306,679	\$ 51,506	\$ 86,213	\$ 444,398	\$ 446,165
Professional services	22,805	7,875	3,861	34,541	14,962
Regional support	73,587	-	-	73,587	59,212
International assessment	61,162	-	-	61,162	48,363
Meetings	200,538	-	4,648	205,186	55,536
Occupancy and communications	7,602	12,002	1,959	21,563	20,180
Postage and printing	7,202	1,237	6,172	14,611	13,430
Insurance	-	9,348	-	9,348	9,107
Recruitment and publicity	3,150	450	-	3,600	11,430
Supplies and equipment	1,012	483	330	1,825	1,930
Travel and conferences	46,467	-	3,895	50,362	45,521
Other	3,546	1,102	7,231	11,879	6,634
	<u>\$ 733,750</u>	<u>\$ 84,003</u>	<u>\$ 114,309</u>	<u>\$ 932,062</u>	<u>\$ 732,470</u>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (52,900)	\$ (76,046)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(78,595)	5,368
Pledges receivable	20,933	35,587
Grants receivable	(32,052)	4,200
Prepaid expenses	(13,389)	(2,714)
Accounts payable	(1,282)	(1,507)
Accrued payroll and retirement payable	467	(6,299)
Designations payable	51,730	33,690
Deferred revenue	(11,050)	16,545
<b>Net cash provided by (used in) operating activities</b>	<b><u>(116,138)</u></b>	<b><u>8,824</u></b>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	<u>(10,000)</u>	<u>(10,000)</u>
<b>Net change in cash</b>	<b>(126,138)</b>	<b>(1,176)</b>
Cash and cash equivalents, beginning of year	<u>300,104</u>	<u>301,280</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 173,966</u></b>	<b><u>\$ 300,104</u></b>

See notes to financial statements.

**L'ARCHE U.S.A.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**NOTE A – DESCRIPTION OF ORGANIZATION**

L'Arche was founded in 1964 when Jean Vanier invited three men with developmental disabilities residing in institutions to come live with him in a small house in France. Today L'Arche is an inter-faith and inter-denominational federation that includes approximately 135 communities in 36 countries. L'Arche U.S.A. was founded in 1997 as a not-for-profit organization to support the L'Arche communities in the United States. There are now 16 L'Arche communities nationwide providing homes, work settings, and other support services for adults with developmental disabilities and the assistants who share life with them. Among the programs that L'Arche U.S.A. provides its member communities are assistance in recruitment, member trainings and support, fund raising consultation, national communications, public relations, and general community support.

Prior to January 1, 2011, L'Arche U.S.A.'s activities included the operations of L'Arche U.S.A. Foundation (the Foundation). Effective January 1, 2011, the Foundation was governed by a board that is independent of L'Arche U.S.A. As a result, the operations of the Foundation are no longer consolidated with those of L'Arche U.S.A. The prior year comparative data for L'Arche U.S.A. no longer includes cash of \$12,197 that was the sole asset of the Foundation.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

For purposes of these financial statements, all short-term, highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

**Basis of Accounting**

L'Arche U.S.A. prepares its financial statements on the accrual basis of accounting; consequently, certain revenues are reflected in the accounts in the period in which they are considered earned, rather than received, and expenses are recorded when incurred, rather than when paid.

**Basis of Presentation**

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present fund balances and transactions in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization currently has no permanently restricted net assets.



L'ARCHE U.S.A.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

L'Arche affiliates in the United States are required to pay "community support" to L'Arche U.S.A. and typically are billed monthly for those fees. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has recorded an allowance for doubtful accounts of \$7,000 as of December 31, 2011. Approximately \$51,199 of accounts receivable were older than 90 days as of that date.

**Contributions and Pledges Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Designations Payable**

A donor may designate their pledge to a particular domestic or international L'Arche affiliate. The Organization has no discretion over these pledges and they are not included in public support in the Statement of Activities.

**Income Taxes**

The Organization has been approved as a tax exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

The Organization's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**L'ARCHE U.S.A.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) and limits the amount of exposure at any one financial institution. As of December 31, 2011, the Organization's cash balance was fully insured.

**Donated Materials and Services**

Donated materials and professional services are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for volunteer services since they do not meet the criteria for recognition contained in generally accepted accounting principles. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's operations.

**Allocation of Functional Expenses**

The cost of providing the various programs and other activities has been summarized in the Statement of Activities. Certain costs, including salaries and administrative operating expenses, have been allocated among the programs and supporting services benefited.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

**NOTE C – PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give. As of December 31, 2011, all pledges receivable are expected to be collected within one year. Management has recorded an allowance for uncollectible accounts of \$2,000 as of December 31, 2011.

L'ARCHE U.S.A.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE D - LONG-TERM DEBT**

Long-term debt consists of a loan balance of \$20,000 on an original loan of \$50,000 from L'Arche France Foundation. There is no interest charged to this loan and it is unsecured. The principal is payable \$10,000 annually beginning December 1, 2011 until repaid on December 1, 2013.

Future principal maturities of long-term debt are as follows:

Year Ending December 31,	
2012	\$ 10,000
2013	<u>10,000</u>
	<u>\$ 20,000</u>

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2011 consist of unexpended grants and contributions restricted for specific purposes.

For purpose:	
SC Ministry - vocational development	\$ 12,000
Formation programs	8,219
Stewardship and leadership	15,800
Solidarity with the South	54,668
Other	9,405
	<u>100,092</u>
For timing:	
Campaign pledges due in future years	<u>34,470</u>
	<u>\$ 134,562</u>

**NOTE F - DESIGNATED CONTRIBUTIONS**

L'Arche U.S.A. collects contributions that are often designated for L'Arche U.S.A. communities in the United States and abroad. During 2011, the Organization collected \$210,392 in designated contributions. These contributions, less an allowance for uncollectible pledges and administration costs, are distributed to affiliates so designated. Designated contributions are not recorded as income or expense to L'Arche U.S.A. Amounts remaining to be paid at the end of the fiscal year are shown on the State of Financial Position as donor-designated contributions payable.

**L'ARCHE U.S.A.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**NOTE G – AFFILIATE SUPPORT**

L'Arche communities are organizations of local people coming together to address local needs. They are independent, not-for-profit groups that are approved by regional and national offices of L'Arche U.S.A. and operate under a community membership policy with L'Arche U.S.A. All affiliated communities are encouraged to be self-supporting in their fund-raising efforts. However, the Organization also solicits contributions, both cash and in-kind, on behalf of its affiliates.

All affiliates are expected to provide fees to support the work of L'Arche U.S.A. Community. Support from the United States affiliates totaled \$314,011 for the year ended December 31, 2011, and is included with community support in the accompanying Statement of Activities.

**NOTE H – IN-KIND**

The Organization received \$4,770 of donated supplies and travel expenses during the year ended December 31, 2011.

**NOTE I – PENSION PLAN**

The Organization has a defined contribution pension plan. Contributions are 5% of salaries for all employees after the first year of employment. Contributions to the plan for the year ended December 31, 2011 amounted to \$14,748.

**NOTE J – LEASE COMMITMENTS**

In the lease dated December 20, 2009, the Organization agreed to lease office space, the term of which began February 1, 2010 and continued through December 31, 2010. Since that time, the lease continues on a month-to-month basis at a rate of \$715 per month. Total rent expense for the year ended December 31, 2011 was \$8,580. Additional rent is paid for office space as needed throughout the country.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 31, 2012, which is the date the financial statements were available to be issued.