

**L'ARCHE U.S.A.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2012**



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## KERN & THOMPSON, LLC

Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
L'Arche USA  
Portland, Oregon

We have audited the accompanying financial statements of L'Arche USA (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L'Arche USA as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Report on Summarized Comparative Information**

We have previously audited L'Arche USA's 2011 financial statements, and our report dated October 31, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern P. Thompson, LLC*  
Portland, Oregon  
September 24, 2013

L'ARCHE U.S.A.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

(With Comparative Totals as of December 31, 2011)

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 314,656	\$ 173,966
Accounts receivable, net	38,023	132,344
Pledges receivable, net	7,700	34,470
Grants receivable	3,632	42,852
Prepaid expenses	<u>9,680</u>	<u>20,500</u>
<b>Total assets</b>	<b>\$ <u>373,691</u></b>	<b>\$ <u>404,132</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,392	\$ 1,959
Accrued payroll and retirement payable	3,383	2,071
Designations payable	3,067	87,822
Deferred revenue	4,420	5,495
Long-term debt	<u>10,000</u>	<u>20,000</u>
<b>Total liabilities</b>	<b><u>25,262</u></b>	<b><u>117,347</u></b>
<b>Net assets</b>		
Unrestricted	289,661	152,223
Temporarily restricted	<u>58,768</u>	<u>134,562</u>
<b>Total net assets</b>	<b><u>348,429</u></b>	<b><u>286,785</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>373,691</u></b>	<b>\$ <u>404,132</u></b>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
<b>Public support</b>				
Membership fees	\$ 362,830	\$ -	\$ 362,830	\$ 522,403
Grants and contributions	394,770	172,150	566,920	514,972
In-kind contributions	8,929	-	8,929	4,770
Less net amounts designated	(73,698)	-	(73,698)	(210,392)
Total public support	<u>692,831</u>	<u>172,150</u>	<u>864,981</u>	<u>831,753</u>
<b>Other revenue</b>				
Registration fees	20,820	-	20,820	43,348
Interest	433	-	433	808
Other income	5,137	-	5,137	3,253
	<u>26,390</u>	<u>-</u>	<u>26,390</u>	<u>47,409</u>
Released from restriction	247,944	(247,944)	-	-
Total other revenue	<u>274,334</u>	<u>(247,944)</u>	<u>26,390</u>	<u>47,409</u>
<b>Total public support and other revenue</b>	<u>967,165</u>	<u>(75,794)</u>	<u>891,371</u>	<u>879,162</u>
<b>Expenses</b>				
Program services	640,528	-	640,528	733,750
Supporting services				
Management and general	89,517	-	89,517	84,003
Fund-raising	99,682	-	99,682	114,309
Total expenses	<u>829,727</u>	<u>-</u>	<u>829,727</u>	<u>932,062</u>
<b>Change in net assets</b>	<b>137,438</b>	<b>(75,794)</b>	<b>61,644</b>	<b>(52,900)</b>
Net assets, beginning of year	<u>152,223</u>	<u>134,562</u>	<u>286,785</u>	<u>339,685</u>
Net assets, end of year	<u>\$ 289,661</u>	<u>\$ 58,768</u>	<u>\$ 348,429</u>	<u>\$ 286,785</u>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2012	2011
Salaries and related expenses	\$ 314,799	\$ 51,356	\$ 79,642	\$ 445,797	\$ 444,398
Professional services	23,668	8,010	4,998	36,676	34,541
Regional support	85,124	-	-	85,124	73,587
International assessment	65,438	-	-	65,438	61,162
Meetings	91,964	-	2,428	94,392	205,186
Uncollectible debt	-	3,435	-	3,435	-
Occupancy and communications	6,675	12,175	968	19,818	21,563
Postage and printing	4,001	2,246	5,065	11,312	14,611
Insurance	-	9,165	-	9,165	9,348
Recruitment and publicity	3,841	1,527	-	5,368	3,600
Supplies and equipment	3,417	437	136	3,990	1,825
Grant	10,000	-	-	10,000	-
Travel and conferences	30,294	-	2,409	32,703	50,362
Other	1,307	1,166	4,036	6,509	11,879
	<u>\$ 640,528</u>	<u>\$ 89,517</u>	<u>\$ 99,682</u>	<u>\$ 829,727</u>	<u>\$ 932,062</u>

See notes to financial statements.

L'ARCHE U.S.A.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 61,644	\$ (52,900)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	94,321	(78,595)
Pledges receivable	26,770	20,933
Grants receivable	39,220	(32,052)
Prepaid expenses	10,820	(13,389)
Accounts payable	2,433	(1,282)
Accrued payroll and retirement payable	1,312	467
Designations payable	(84,755)	51,730
Deferred revenue	(1,075)	(11,050)
<b>Net cash provided by (used in) operating activities</b>	<u>150,690</u>	<u>(116,138)</u>
<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>140,690</b>	<b>(126,138)</b>
Cash and cash equivalents, beginning of year	<u>173,966</u>	<u>300,104</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>314,656</u></b>	<b>\$ <u>173,966</u></b>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**

**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 144 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 18 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.

**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 (CONTINUED)

December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Accounts Receivable**

L'Arche affiliates in the United States are required to pay membership fees 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 \$38,500 as of December 31, 2012. Approximately \$63,931 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 offset 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.

**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, 2012, the Organization's cash balance was fully insured.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2012**

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

**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, 2011, from which the summarized information was derived.

**NOTE C – PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give. As of December 31, 2012, all pledges receivable are expected to be collected within one year. Management has recorded an allowance for uncollectible accounts of \$7,500 as of December 31, 2012.

**NOTE D - LONG-TERM DEBT**

Long-term debt consists of a loan balance of \$10,000 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 final \$10,000 payment is due in December 2013.

L'ARCHE U.S.A.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2012 consist of unexpended grants and contributions restricted for specific purposes.

For purpose:	
Stewardship	20,000
Solidarity with the South	25,494
Other	<u>5,574</u>
	51,068
For timing:	
Campaign pledges due in future years	<u>7,700</u>
	<u>\$ 58,768</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 2012, the Organization collected \$73,698 in designated contributions. These contributions are distributed to affiliates as 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 designations payable.

**NOTE G – AFFILIATE SUPPORT**

L'Arche communities are organizations of local people coming together to address local needs. They are independent, not-for-profit corporations, whose membership in the International Federation of L'Arche Communities is approved according to a Community Membership Policy by governance structures of L'Arche U.S.A. and L'Arche International 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. Net support from the United States affiliates totaled \$289,132 for the year ended December 31, 2012, and is included with membership fees in the accompanying Statement of Activities.

**NOTE H – IN-KIND**

The Organization received \$8,929 of donated supplies and travel expenses during the year ended December 31, 2012.

L'ARCHE U.S.A.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012

**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, 2012 amounted to \$11,836.

**NOTE J – LEASE**

The Organization leases office space under an agreement that expires April 30, 2015. Additional rent is paid for office space as needed throughout the country. For the year ended December 31, 2012, the total lease expense was \$10,666.

Future minimum rental payments under the lease are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 7,980
2014	8,200
2015	<u>2,802</u>
	<u>\$ 18,982</u>

**NOTE K – RELATED-PARTY TRANSACTIONS**

During 2012, the Organization received cash and in-kind donations totaling \$59,318 from members of the Board of Directors.

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 24, 2013, which is the date the financial statements were available to be issued.