

L'ARCHE U.S.A.
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2013



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of L'Arche USA and affiliate (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of L'Arche USA and affiliate as of December 31, 2013, 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 2012 financial statements, and our report dated October 31, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC
Portland, Oregon
October 24, 2014

L'ARCHE U.S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013

(With Comparative Totals as of December 31, 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 269,338	\$ 314,656
Accounts receivable, net	49,310	38,023
Pledges receivable, net	200	7,700
Grants receivable	33,333	3,632
Prepaid expenses	<u>2,061</u>	<u>9,680</u>
Total assets	<u>\$ 354,242</u>	<u>\$ 373,691</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 6,315	\$ 4,392
Accrued payroll and retirement payable	1,560	3,383
Designations payable	195	3,067
Deferred revenue	1,420	4,420
Long-term debt	<u>-</u>	<u>10,000</u>
Total liabilities	<u>9,490</u>	<u>25,262</u>
Net assets		
Unrestricted	296,537	289,661
Temporarily restricted	<u>48,215</u>	<u>58,768</u>
Total net assets	<u>344,752</u>	<u>348,429</u>
Total liabilities and net assets	<u>\$ 354,242</u>	<u>\$ 373,691</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
Public support				
Membership fees	\$ 306,317	\$ -	\$ 306,317	\$ 289,132
Grants and contributions	339,798	181,198	520,996	640,618
In-kind contributions	8,012	-	8,012	8,929
Less net amounts designated	(74,199)	-	(74,199)	(73,698)
Total public support	<u>579,928</u>	<u>181,198</u>	<u>761,126</u>	<u>864,981</u>
Other revenue				
Registration fees	29,144	-	29,144	20,820
Interest	219	-	219	433
Other income	8,006	-	8,006	5,137
	<u>37,369</u>	<u>-</u>	<u>37,369</u>	<u>26,390</u>
Released from restriction	191,751	(191,751)	-	-
Total other revenue	<u>229,120</u>	<u>(191,751)</u>	<u>37,369</u>	<u>26,390</u>
Total public support and other revenue	<u>809,048</u>	<u>(10,553)</u>	<u>798,495</u>	<u>891,371</u>
Expenses				
Program services	605,118	-	605,118	640,528
Supporting services				
Management and general	94,430	-	94,430	89,517
Fund-raising	114,627	-	114,627	99,682
Total expenses	<u>814,175</u>	<u>-</u>	<u>814,175</u>	<u>829,727</u>
Increase in net assets before non-operating activities	(5,127)	(10,553)	(15,680)	61,644
Non-operating activities				
Acquisition contribution of L'Arche Foundation net assets	<u>12,003</u>	<u>-</u>	<u>12,003</u>	<u>-</u>
Increase (decrease) in net assets	6,876	(10,553)	(3,677)	61,644
Net assets, beginning of year	<u>289,661</u>	<u>58,768</u>	<u>348,429</u>	<u>286,785</u>
Net assets, end of year	\$ <u>296,537</u>	\$ <u>48,215</u>	\$ <u>344,752</u>	\$ <u>348,429</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2013	2012
Salaries and related expenses	\$ 315,870	\$ 53,578	\$ 93,947	\$ 463,395	\$ 445,797
Professional services	1,012	8,865	4,360	14,237	36,676
Regional support	84,300	-	-	84,300	85,124
International assessment	72,948	-	-	72,948	65,438
Meetings	76,695	-	4,767	81,462	94,392
Uncollectible fees	-	7,500	-	7,500	3,435
Occupancy and communications	6,713	11,093	1,504	19,310	19,818
Postage and printing	6,775	730	5,729	13,234	11,312
Insurance	-	9,188	-	9,188	9,165
Recruitment and publicity	1,980	-	-	1,980	5,368
Supplies and equipment	1,118	955	239	2,312	3,990
Grant	-	-	-	-	10,000
Travel and conferences	35,974	-	2,596	38,570	32,703
Other	1,733	2,521	1,485	5,739	6,509
	\$ 605,118	\$ 94,430	\$ 114,627	\$ 814,175	\$ 829,727

See notes to consolidated financial statements.

L'ARCHE U.S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,677)	\$ 61,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(11,287)	94,321
Pledges receivable	7,500	26,770
Grants receivable	(29,701)	39,220
Prepaid expenses	7,619	10,820
Accounts payable	1,923	2,433
Accrued payroll and retirement payable	(1,823)	1,312
Designations payable	(2,872)	(84,755)
Deferred revenue	(3,000)	(1,075)
Net cash provided by (used in) operating activities	<u>(35,318)</u>	<u>150,690</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(10,000)</u>	<u>(10,000)</u>
Net change in cash	(45,318)	140,690
Cash and cash equivalents, beginning of year	<u>314,656</u>	<u>173,966</u>
Cash and cash equivalents, end of year	<u>\$ 269,338</u>	<u>\$ 314,656</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

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.

Principles of Consolidation

The accompanying financial statements include the net assets of L'Arche U.S.A. consolidated with the accounts of L'Arche U.S.A. Foundation. Significant inter-organization accounts and transactions have been eliminated.

L'ARCHE U.S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

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 \$57,179 as of December 31, 2013. Approximately \$71,140 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, 2013, the Organization's cash balance was fully insured.

L'ARCHE U.S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

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.

Reclassifications

Certain comparative figures have been reclassified to conform to current year presentation.

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, 2012, from which the summarized information was derived.

NOTE C – PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give. As of December 31, 2013, all pledges receivable are expected to be collected within one year. Management has recorded no allowance for uncollectible accounts as of December 31, 2013.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 consist of unexpended grants and contributions restricted for specific purposes.

For purpose:	
Stewardship	30,000
Solidarity with the South	17,679
Other	336
	<u>48,015</u>
For timing:	
Campaign pledges due in future years	200
	<u>200</u>
	<u>\$ 48,215</u>

L'ARCHE U.S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE E – 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 2013, the Organization collected \$74,255 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 statement of financial position as designations payable.

NOTE F – 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 \$380,572 for the year ended December 31, 2013, and is included with membership fees in the accompanying statement of activities.

NOTE G – IN-KIND

The Organization received \$8,012 of donated supplies and travel expenses during the year ended December 31, 2013.

NOTE H – 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, 2013 amounted to \$17,758.

NOTE I – 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, 2013, the total lease expense was \$10,710.

L'ARCHE U.S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE I – LEASE (CONTINUED)

Future minimum rental payments under the lease are as follows:

<u>Year Ending December 31,</u>	
2014	\$ 8,200
2015	<u>2,802</u>
	<u>\$ 11,002</u>

NOTE J – RELATED-PARTY TRANSACTIONS

During 2013, the Organization received cash and in-kind donations totaling \$26,145 from members of the Board of Directors.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 24, 2014, which is the date the financial statements were available to be issued.