

**L'ARCHE U.S.A. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2014**



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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
L'Arche U.S.A. and affiliate  
Portland, Oregon

We have audited the accompanying consolidated financial statements of L'Arche U.S.A. and affiliate (non-profit organizations), which comprise the consolidated statement of financial position as of December 31, 2014, 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**

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 U.S.A. and affiliate as of December 31, 2014, 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 the L'Arche U.S.A. and affiliate's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern & Thompson, LLC*  
Portland, Oregon  
August 31, 2015

**L'ARCHE U.S.A. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**December 31, 2014**  
(With Comparative Totals as of December 31, 2013)

**ASSETS**

	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 519,905	\$ 269,338
Accounts receivable, net	21,517	49,310
Pledges receivable, net	200	200
Grants receivable	28,000	33,333
Prepaid expenses	9,015	2,061
<b>Total assets</b>	<b>\$ 578,637</b>	<b>\$ 354,242</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 30,610	\$ 6,315
Grants payable	125,514	-
Accrued payroll and retirement payable	2,157	1,560
Designations payable	18,050	195
Deferred revenue	5,545	1,420
<b>Total liabilities</b>	<b>181,876</b>	<b>9,490</b>
<b>Net assets</b>		
Unrestricted	250,733	296,537
Temporarily restricted	146,028	48,215
<b>Total net assets</b>	<b>396,761</b>	<b>344,752</b>
<b>Total liabilities and net assets</b>	<b>\$ 578,637</b>	<b>\$ 354,242</b>

See notes to consolidated financial statements.

**L'ARCHE U.S.A. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2014**  
(With Comparative Totals for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2014</u>	<u>2013</u>
<b>Public support</b>				
Membership fees	\$ 361,454	\$ -	\$ 361,454	\$ 306,317
Grants and contributions	305,282	451,476	756,758	520,996
In-kind contributions	29,313	-	29,313	8,012
Less net amounts designated	<u>(18,050)</u>	<u>-</u>	<u>(18,050)</u>	<u>(74,199)</u>
Total public support	<u>677,999</u>	<u>451,476</u>	<u>1,129,475</u>	<u>761,126</u>
<b>Other revenue</b>				
Registration fees	25,290	-	25,290	29,144
Interest	208	-	208	219
Other income	632	-	632	8,006
	<u>26,130</u>	<u>-</u>	<u>26,130</u>	<u>37,369</u>
Released from restriction	<u>353,663</u>	<u>(353,663)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>379,793</u>	<u>(353,663)</u>	<u>26,130</u>	<u>37,369</u>
<b>Total public support and other revenue</b>	<b><u>1,057,792</u></b>	<b><u>97,813</u></b>	<b><u>1,155,605</u></b>	<b><u>798,495</u></b>
<b>Expenses</b>				
Program services	878,114	-	878,114	605,118
Supporting services				
Management and general	111,372	-	111,372	94,430
Fund-raising	114,110	-	114,110	114,627
Total expenses	<u>1,103,596</u>	<u>-</u>	<u>1,103,596</u>	<u>814,175</u>
<b>Increase in net assets before non-operating activities</b>	<b>(45,804)</b>	<b>97,813</b>	<b>52,009</b>	<b>(15,680)</b>
<b>Non-operating activities</b>				
Acquisition contribution of L'Arche Foundation net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,003</u>
<b>Increase (decrease) in net assets</b>	<b>(45,804)</b>	<b>97,813</b>	<b>52,009</b>	<b>(3,677)</b>
Net assets, beginning of year	<u>296,537</u>	<u>48,215</u>	<u>344,752</u>	<u>348,429</u>
<b>Net assets, end of year</b>	<b>\$ <u>250,733</u></b>	<b>\$ <u>146,028</u></b>	<b>\$ <u>396,761</u></b>	<b>\$ <u>344,752</u></b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2014**

(With Comparative Totals for the Year Ended December 31, 2013)

	<b>PROGRAM SERVICES</b>	<b>SUPPORTING SERVICES</b>		<b>Total</b>	
		<b>Management and General</b>	<b>Fund- Raising</b>	<b>2014</b>	<b>2013</b>
Salaries and related expenses	\$ 362,259	\$ 61,481	\$ 94,848	\$ 518,588	\$ 463,395
Professional services	31,775	17,880	3,145	52,800	14,237
Recruitment and publicity	6,949	-	-	6,949	1,980
Travel and conferences	39,181	-	3,974	43,155	38,570
Regional support	215,440	-	-	215,440	84,300
International assessment	74,307	-	-	74,307	72,948
Meetings	65,617	-	1,408	67,025	81,462
Grants to L'Arche communities	66,764	-	-	66,764	-
Uncollectible fees	-	3,356	-	3,356	7,500
Occupancy and communications	5,980	13,131	1,950	21,061	19,310
Postage and printing	7,134	1,609	6,788	15,531	13,234
Insurance	-	10,353	-	10,353	9,188
Supplies and equipment	1,778	812	884	3,474	2,312
Other	930	2,750	1,113	4,793	5,739
	<b>\$ 878,114</b>	<b>\$ 111,372</b>	<b>\$ 114,110</b>	<b>\$ 1,103,596</b>	<b>\$ 814,175</b>

See notes to consolidated financial statements.

**L'ARCHE U.S.A. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2014**  
(With Comparative Totals for the Year Ended December 31, 2013)

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 52,009	\$ (3,677)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	27,793	(11,287)
Pledges receivable	-	7,500
Grants receivable	5,333	(29,701)
Prepaid expenses	(6,954)	7,619
Accounts payable	24,295	1,923
Grants payable	125,514	-
Accrued payroll and retirement payable	597	(1,823)
Designations payable	17,855	(2,872)
Deferred revenue	4,125	(3,000)
<b>Net cash provided by (used in) operating activities</b>	<b>250,567</b>	<b>(35,318)</b>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	-	(10,000)
<b>Net change in cash</b>	<b>250,567</b>	<b>(45,318)</b>
Cash and cash equivalents, beginning of year	269,338	314,656
<b>Cash and cash equivalents, end of year</b>	<b>\$ 519,905</b>	<b>\$ 269,338</b>

See notes to consolidated financial statements.

## L'ARCHE U.S.A. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

#### 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. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

#### 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 \$34,870 as of December 31, 2014. Approximately \$45,119 of accounts receivable were older than 90 days as of that date.

##### **Grants, 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) held cash at a bank that exceeded \$250,00 and was not fully insured. As of December 31, 2014, the Organization's cash balance was fully insured.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2014**

**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, 2013, from which the summarized information was derived.

**NOTE C – PLEDGES RECEIVABLE**

Pledges receivable consist of unconditional promises to give. As of December 31, 2014, all pledges receivable are expected to be collected within one year. Management has recorded no allowance for uncollectible accounts as of December 31, 2014.

## L'ARCHE U.S.A. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2014

#### NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 consist of unexpended grants and contributions restricted for specific purposes.

For purpose:	
Anonymous	95,000
Stewardship	25,000
Solidarity with the South	16,284
Other	<u>9,544</u>
	145,828
For timing:	
Campaign pledges due in future years	<u>200</u>
	<u>\$ 146,028</u>

#### 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 2014, the Organization collected \$18,050 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 \$379,504 for the year ended December 31, 2014, consisting of \$361,454 in membership fees and \$18,050 in special designated contributions to L'Arche projects outside of the United States in the accompanying statement of activities.

#### NOTE G – IN-KIND

The Organization received \$29,313 of donated supplies and travel expenses during the year ended December 31, 2014.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2014**

**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, 2014 amounted to \$20,016.

**NOTE I – LEASE**

The Organization leases office space under an agreement that expired April 30, 2015. Additional rent is paid for office space as needed throughout the country. For the year ended December 31, 2014, the total lease expense was \$10,838.

**NOTE J – RELATED-PARTY TRANSACTIONS**

During 2014, the Organization received cash and in-kind donations totaling \$40,600 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$66,764.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 31, 2015, which is the date the financial statements were available to be issued.