

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related consolidated notes to the 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, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the L'Arche U.S.A. and Affiliate's 2016 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
November 14, 2018

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

December 31, 2017
(With Comparative Totals as of December 31, 2016)

ASSETS

	2017	2016
Cash and cash equivalents	\$ 489,497	\$ 365,176
Accounts receivable, net	133,599	79,667
Grants receivable	910,000	30,000
Prepaid expenses	27,417	20,101
Total assets	\$ 1,560,513	\$ 494,944

LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,239	\$ 27,120
Grants payable	592,445	-
Accrued payroll and retirement payable	15,870	1,553
Designations payable	6,602	6,322
Total liabilities	619,156	34,995
Net assets		
Unrestricted	433,911	306,571
Temporarily restricted	507,446	153,378
Total net assets	941,357	459,949
Total liabilities and net assets	\$ 1,560,513	\$ 494,944

See notes to consolidated financial statements.

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

Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Public support				
Membership fees	\$ 371,288	\$ -	\$ 371,288	\$ 358,173
Grants and contributions	732,285	1,726,732	2,459,017	731,875
In-kind contributions	6,625	-	6,625	12,191
Total public support	<u>1,110,198</u>	<u>1,726,732</u>	<u>2,836,930</u>	<u>1,102,239</u>
Other revenue				
Registration fees	49,679	-	49,679	68,582
Interest	327	-	327	132
Other income	5,231	-	5,231	8,944
	<u>55,237</u>	<u>-</u>	<u>55,237</u>	<u>77,658</u>
Released from restriction	1,372,664	(1,372,664)	-	-
Total other revenue	<u>1,427,901</u>	<u>(1,372,664)</u>	<u>55,237</u>	<u>77,658</u>
Total public support and other revenue	<u>2,538,099</u>	<u>354,068</u>	<u>2,892,167</u>	<u>1,179,897</u>
Expenses				
Program services	1,872,913	-	1,872,913	869,910
Supporting services				
Management and general	329,832	-	329,832	173,297
Fund-raising	208,014	-	208,014	108,126
Total expenses	<u>2,410,759</u>	<u>-</u>	<u>2,410,759</u>	<u>1,151,333</u>
Increase (decrease) in net assets	127,340	354,068	481,408	28,564
Net assets, beginning of year	<u>306,571</u>	<u>153,378</u>	<u>459,949</u>	<u>431,385</u>
Net assets, end of year	\$ <u>433,911</u>	\$ <u>507,446</u>	\$ <u>941,357</u>	\$ <u>459,949</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2017	2016
Salaries and related expenses	\$ 405,319	220,891	\$ 105,596	\$ 731,806	\$ 533,095
Professional services	15,701	29,658	86,997	132,356	57,526
Recruitment and publicity	1,653	-	-	1,653	7,891
Travel and conferences	31,250	24,150	5,151	60,551	41,247
International support grants	1,015,373	-	-	1,015,373	147,271
Regional support	208,021	-	-	208,021	87,817
International assessment	78,145	-	-	78,145	69,261
Meetings	103,338	20,702	3,445	127,485	157,974
Occupancy and communications	4,850	16,198	1,217	22,265	20,298
Postage and printing	555	635	2,812	4,002	5,784
Insurance	3,513	7,649	857	12,019	9,709
Supplies and equipment	1,832	2,775	98	4,705	3,701
Other	3,363	7,174	1,841	12,378	9,759
	\$ 1,872,913	\$ 329,832	\$ 208,014	\$ 2,410,759	\$ 1,151,333

See notes to consolidated financial statements.

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

Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 481,408	\$ 28,564
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(53,932)	7,948
Grants receivable	(880,000)	55,000
Prepaid expenses	(7,316)	(11,885)
Accounts payable	(22,881)	17,014
Grants payable	592,445	-
Accrued payroll and retirement payable	14,317	90
Designations payable	280	1,822
Deferred revenue	-	(5,819)
Net cash provided by (used in) operating activities	<u>124,321</u>	<u>92,734</u>
Net change in cash	124,321	92,734
Cash and cash equivalents, beginning of year	<u>365,176</u>	<u>272,442</u>
Cash and cash equivalents, end of year	<u>\$ 489,497</u>	<u>\$ 365,176</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

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, 2017

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 \$7,841 as of December 31, 2017. Approximately \$18,000 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.

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). As of December 31, 2017, \$60,243 of the Organization's cash balance was uninsured.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

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, 2016, from which the summarized information was derived.

NOTE C – RECEIVABLES

Contributions and grants receivable at December 31, 2017 represent unconditional promises to pay. The receivables are expected to be collected in less than one year.

In addition to recorded contributions receivable, there is an additional conditional grant which was not recorded as follows:

- A foundation has awarded \$2,400,000 to the Organization. \$800,000 of this award has been recorded as grant revenue in 2017. As significant conditions are associated with the remaining \$1,600,000, it has not been recognized. Recognition of the remaining portion of this grant requires the Organization to meet project milestones and goals and to obtain report approval from the foundation. \$800,000 may be awarded in January, 2019 and an additional \$800,000 may be awarded in January, 2020 upon completion of requirements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 consist of unexpended grants and contributions restricted for specific purposes.

For purpose:		
Stewardship	\$	110,000
Solidarity with the South		35,629
Organization and fundraising capacity		300,294
Other		<u>61,523</u>
	\$	<u>507,446</u>

NOTE E – IN-KIND

The Organization received \$6,625 of donated supplies and travel expenses during the year ended December 31, 2017.

NOTE F – 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, 2017 amounted to \$27,749.

NOTE G – LEASE

The Organization leases office space under a month-to-month agreement. Additional rent is paid for office space as needed throughout the country. For the year ended December 31, 2017, the total lease expense was \$11,231.

NOTE H – RELATED-PARTY TRANSACTIONS AND 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 \$370,378 for the year ended December 31, 2017. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE H – RELATED-PARTY TRANSACTIONS AND AFFILIATE SUPPORT (CONTINUED)

During 2017, the Organization received cash and in-kind donations totaling \$51,362 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$1,301,539, including \$1,180,186 to L'Arche International.

At December 31, 2017, \$592,445 was recorded as a grant payable to L'Arche International.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 14, 2018, which is the date the financial statements were available to be issued.