

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

Year Ended December 31, 2019



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2019

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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, 2019, 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, 2019, 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 L'Arche U.S.A. and Affiliate's 2018 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
November 5, 2020

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

December 31, 2019
(With Comparative Totals as of December 31, 2018)

ASSETS

	2019	2018
Cash and cash equivalents	\$ 921,833	\$ 662,524
Accounts receivable, net	23,975	94,560
Grants and contributions receivable, net	492,407	387,245
Prepaid expenses	22,700	22,008
Total assets	\$ 1,460,915	\$ 1,166,337

LIABILITIES AND NET ASSETS

Accounts payable	\$ 5,214	\$ 10,318
Grants payable	215,822	188,107
Accrued payroll and retirement payable	33,401	30,279
Designations payable	111,412	56,630
Total liabilities	365,849	285,334
Net assets		
Without donor restrictions	353,960	456,301
With donor restrictions	741,106	424,702
Total net assets	1,095,066	881,003
Total liabilities and net assets	\$ 1,460,915	\$ 1,166,337

See notes to consolidated financial statements.

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

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Public support				
Membership fees	\$ 493,848	\$ -	\$ 493,848	\$ 452,209
Grants and contributions	585,730	2,200,815	2,786,545	1,455,115
In-kind contributions	1,042	-	1,042	4,272
Total public support	<u>1,080,620</u>	<u>2,200,815</u>	<u>3,281,435</u>	<u>1,911,596</u>
Other revenue				
National reimbursement	175,654	-	175,654	210,304
Registration fees	43,048	-	43,048	68,321
Interest	3,747	-	3,747	1,377
Other income	431	-	431	2,581
Released from restriction	1,884,411	(1,884,411)	-	-
Total other revenue	<u>2,107,291</u>	<u>(1,884,411)</u>	<u>222,880</u>	<u>282,583</u>
Total public support and other revenue	<u>3,187,911</u>	<u>316,404</u>	<u>3,504,315</u>	<u>2,194,179</u>
Expenses				
Program services	2,373,091	-	2,373,091	1,486,451
Supporting services				
Management and general	316,018	-	316,018	244,453
Fund-raising	601,143	-	601,143	523,629
Total expenses	<u>3,290,252</u>	<u>-</u>	<u>3,290,252</u>	<u>2,254,533</u>
Increase (decrease) in net assets	(102,341)	316,404	214,063	(60,354)
Net assets, beginning of year	<u>456,301</u>	<u>424,702</u>	<u>881,003</u>	<u>941,357</u>
Net assets, end of year	<u>\$ 353,960</u>	<u>\$ 741,106</u>	<u>\$ 1,095,066</u>	<u>\$ 881,003</u>

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2019	2018
Salaries and related expenses	\$ 761,629	165,837	\$ 425,607	\$ 1,353,073	\$ 1,095,612
Professional services	53,231	45,561	29,078	127,870	159,911
Travel and conferences	33,994	18,496	17,696	70,186	48,076
L'Arche International operating support	1,055,590	-	-	1,055,590	331,200
L'Arche US Community Support	132,847	-	-	132,847	125,995
Revenue Sharing with L'Arche US Communities	-	-	-	-	37,647
L'Arche International for developing community support	166,021	-	-	166,021	112,212
International assessment	81,279	-	-	81,279	72,986
Meetings	63,853	15,936	48,214	128,003	185,802
Occupancy and communications	7,359	54,968	5,257	67,584	30,915
Postage and printing	1,655	1,053	6,702	9,410	5,923
Insurance	9,921	7,583	3,090	20,594	15,357
Uncollectible pledges	-	-	52,176	52,176	-
Supplies and equipment	4,396	4,678	6,049	15,123	10,233
Other	1,316	1,906	7,274	10,496	22,664
	\$ 2,373,091	\$ 316,018	\$ 601,143	\$ 3,290,252	\$ 2,254,533

See notes to consolidated financial statements.

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

Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 214,063	\$ (60,354)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	70,585	39,039
Grants receivable	(105,162)	522,755
Prepaid expenses	(692)	5,409
Accounts payable	(5,104)	43,727
Grants payable	27,715	(404,338)
Accrued payroll and retirement payable	3,122	14,409
Designations payable	54,782	12,380
Net cash provided by (used in) operating activities	259,309	173,027
Net change in cash	259,309	173,027
Cash and cash equivalents, beginning of year	662,524	489,497
Cash and cash equivalents, end of year	\$ 921,833	\$ 662,524

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

NOTE A – DESCRIPTION OF ORGANIZATION

L'Arche is an international organization that supports communities of people with and without intellectual disabilities who share life together. The first community began in Trosly, France in 1964. Today there are over 150 communities in more than 37 countries, including 17 in the United States (with more on the way). Our mission is rooted in the belief that all human life is worthy of dignity, love, and justice, especially the lives of people with disabilities. Members of our communities are diverse in ability, age, race, sexual orientation, gender, nationality, and more, and yet are able to build vibrant communities through mutually transformative relationships. At L'Arche, differences are celebrated.

L'Arche USA represents the national operations of L'Arche in the United States and our work centers on three main areas: community support, member development, and public education. L'Arche USA's primary responsibility is to support the flourishing of L'Arche communities in the United States. We work to establish and sustain new L'Arche homes and workplaces, while helping existing communities navigate complex challenges, discover their own unique strengths, and share their gifts with the wider world. L'Arche USA is also committed to helping members learn and grow personally, spiritually, and professionally. Using a curriculum framed on four key themes: L'Arche core values, spirituality, leadership, and diversity, we offer our members a wide array of retreats, trainings, online resources, and webinars to share knowledge, explore new topics and practices, and build relationships. Lastly, L'Arche USA believes that encounters across differences can reduce prejudices and create a more humane society. Creative public engagements enable L'Arche to make known the gifts of people with intellectual disabilities and the transformative power of mutual relationships.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the year ended December 31, 2019, the Organization implemented *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers Topic 606* ("ASU 2014-09"). This standard (1) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (2) revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets. The Organization's revenues come primarily from grants, contributions, registration fees and other sources that are outside the scope of ASU 2014-09. The adoption of ASU 2014-09 did not have a significant impact on the Organization's financial statements for the years ended December 31, 2019 or 2018.

During the year ended December 31, 2019, the Organization also implemented *Accounting Standards Update 2018-08, Not-for-Profit Entities Topic 958* ("ASU 2018-08"). This standard revised the scope for contributions received and contributions made and amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The Organization's revenue is primarily derived from contributions and the Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. The adoption of ASU 2018-08 did not have a significant impact on the Organization's financial statements for the years ended December 31, 2019 or 2018.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions, including unconditional promises to give, are recognized when received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

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 \$7,834 as of December 31, 2019. Approximately \$8,100 of accounts receivable were older than 90 days as of that date.

Grants and Contributions Receivable

Grants and contributions receivable consist of unconditional promises to give. Management has recorded an allowance for uncollectible pledges of \$40,000.

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.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Credit Risk

Financial instruments that potentially subject the Organization to 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, 2019, \$379,000 of the Organization's cash balance was uninsured.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

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.

Reclassifications

Certain information in the 2018 financial statements has been reclassified for comparative purposes to conform to the 2019 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, 2018, from which the summarized information was derived.

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2019 represent unconditional promises to pay. Payments of receivables are expected to be received in the following years

Year Ended December 31,	
2020	\$ 358,407
2021	94,000
2022	<u>40,000</u>
	<u>\$ 492,407</u>

A foundation has awarded \$2,400,000 to the Organization. A total of \$1,600,000 of this award has been recorded as grant revenue. As significant conditions are associated with the remaining \$800,000, 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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE D – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2019:

Pledges-Timing	\$	155,406
Murdock Foundation - Timing and Purpose		137,871
Stewardship Foundation - Timing and Purpose		40,000
Templeton Foundation - Timing and Purpose		204,829
Community Designations - Timing and Purpose		58,000
PNW Campaign-Timing		45,000
Operations-Timing		<u>100,000</u>
Total net assets with donor restrictions	\$	<u>741,106</u>

NOTE E – IN-KIND CONTRIBUTIONS

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated. During the year ended December 31, 2019, the Organization recorded \$1,042 of donated travel and expenses from board members.

In addition, the Organization regularly receives contributed services from a large number of volunteers who assist in program activities, fund-raising, and other activities. The value of such services, which the Organization considers not practical to estimate, has not been recognized on the accompanying financial statements.

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, 2019 amounted to \$44,298.

NOTE G – LEASE

On November 14, 2019, the Organization renewed a lease agreement for office space under an operating lease which expires on December 31, 2021. Base monthly rent is \$3,993 with annual increases of approximately 2.9%. For the year ended December 31, 2019, the total lease expense was \$50,277.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE G – LEASE (CONTINUED)

Approximate future lease payments are as follows:

Year Ended December 31,	
2020	\$ 49,353
2021	<u>50,834</u>
	<u>\$ 100,187</u>

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 \$443,848 for the year ended December 31, 2019. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2019, the Organization received cash and in-kind donations totaling \$44,491 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$1,287,732, including \$1,221,611 to L'Arche International.

At December 31, 2019, \$215,822 was recorded as a grant payable to L'Arche International.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019

NOTE I – LIQUIDITY

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 921,833
Accounts receivable	23,975
Grants receivable	492,407
Less those unavailable for general expenditure within one year, due to:	
Restriction by donor for purpose restriction	(596,106)
Restriction by donor for timing	<u>(145,000)</u>
Financial assets available to meet cash needs	
general expenditures within one year	\$ <u>697,109</u>

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 5, 2020 which is the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of convening venues. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Such closings have impacted the ability of the Organization to conduct some fundraising activities and as a result, the Organization cancelled multiple scheduled fundraising events. Further events may be cancelled depending on future circumstances. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot reasonably be estimated at this time.

Additionally, the Organization has received a Paycheck Protection Program loan of \$275,000 that will be forgivable if certain conditions are met.