

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

Year Ended December 31, 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of L'Arche U.S.A. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of L'Arche U.S.A. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about L'Arche U.S.A. and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
L'Arche U.S.A. and Affiliate

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 L'Arche U.S.A. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about L'Arche U.S.A. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited L'Arche U.S.A. and Affiliate's 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
October 5, 2022

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

December 31, 2021
(With Comparative Totals as of December 31, 2020)

ASSETS

	2021	2020
Cash and cash equivalents	\$ 1,137,154	\$ 1,319,178
Accounts receivable, net	15,075	26,914
Grants and contributions receivable, net	230,850	378,332
Prepaid expenses	12,500	11,333
Total assets	\$ 1,395,579	\$ 1,735,757

LIABILITIES AND NET ASSETS

Accounts payable	\$ 21,379	\$ 13,219
Grants payable	133,785	136,725
Accrued payroll and retirement payable	44,337	36,489
Designations payable	-	21,006
Refundable advance - Paycheck Protection Program	-	275,331
Total liabilities	199,501	482,770
Net assets		
Without donor restrictions	796,937	613,415
With donor restrictions	399,141	639,572
Total net assets	1,196,078	1,252,987
Total liabilities and net assets	\$ 1,395,579	\$ 1,735,757

See notes to consolidated financial statements.

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

Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Public support				
Membership fees	\$ 552,960	\$ -	\$ 552,960	\$ 555,576
Grants and contributions	441,921	890,240	1,332,161	2,263,971
Paycheck Protection Program grant (Note D)	547,051	-	547,051	-
In-kind contributions	-	-	-	3,000
Total public support	1,541,932	890,240	2,432,172	2,822,547
Other revenue				
National reimbursement	168,236	-	168,236	179,535
Registration fees	5,648	-	5,648	540
Interest	1,563	-	1,563	1,972
Other income	4,670	-	4,670	288
Recovery of uncollectible pledges	-	-	-	40,000
Released from restriction	1,130,671	(1,130,671)	-	-
Total other revenue	1,310,788	(1,130,671)	180,117	222,335
Total public support and other revenue	2,852,720	(240,431)	2,612,289	3,044,882
Expenses				
Program services	1,774,644	-	1,774,644	2,104,600
Supporting services				
Management and general	323,779	-	323,779	277,698
Fund-raising	570,775	-	570,775	504,663
Total expenses	2,669,198	-	2,669,198	2,886,961
Increase (decrease) in net assets	183,522	(240,431)	(56,909)	157,921
Net assets, beginning of year	613,415	639,572	1,252,987	1,095,066
Net assets, end of year	\$ 796,937	\$ 399,141	\$ 1,196,078	\$ 1,252,987

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2021	2020
Salaries and related expenses	\$ 862,202	\$ 187,496	\$ 456,370	\$ 1,506,068	\$ 1,351,992
Professional services	166,060	59,934	81,270	307,264	176,702
International assessment	86,049	-	-	86,049	92,421
				-	
L'Arche International operating support	328,310	-	-	328,310	912,625
L'Arche International for developing community support	205,008	-	-	205,008	176,508
L'Arche US Community Support	23,996	-	-	23,996	16,140
Travel and conferences	9,114	4,378	4,113	17,605	12,880
Meetings	24,401	5,942	3,560	33,903	20,444
Occupancy and communications	5,775	53,001	5,775	64,551	63,420
Supplies and equipment	2,247	2,332	2,608	7,187	2,711
Uncollectible dues	43,102	-	-	43,102	-
Uncollectible pledges	-	-	-	-	22,949
Insurance	11,485	7,246	4,480	23,211	22,572
Postage and printing	8	619	8,263	8,890	8,340
Other	6,887	2,831	4,336	14,054	7,257
	\$ 1,774,644	\$ 323,779	\$ 570,775	\$ 2,669,198	\$ 2,886,961

See notes to consolidated financial statements.

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

Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (56,909)	\$ 157,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	11,839	(2,939)
Grants and contributions receivable	147,482	114,075
Prepaid expenses	(1,167)	11,367
Accounts payable	8,160	8,005
Grants payable	(2,940)	(79,097)
Accrued payroll and retirement payable	7,848	3,088
Designations payable	(21,006)	(90,406)
Refundable advance - Paycheck Protection Program	(275,331)	275,331
Net cash provided by (used in) operating activities	(182,024)	397,345
Net change in cash	(182,024)	397,345
Cash and cash equivalents, beginning of year	1,319,178	921,833
Cash and cash equivalents, end of year	\$ 1,137,154	\$ 1,319,178

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

NOTE A – DESCRIPTION OF ORGANIZATION

L'Arche is an international movement. 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 able to build vibrant communities through mutually transformative relationships. At L'Arche, differences are celebrated. The first community began in Trosly, France in 1964.

L'Arche USA (the Organization) 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. In 2021 we launched a dedicated work stream focused on promoting diversity, belonging, and inclusion in L'Arche USA communities. 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.

Beginning in March 2020, an outbreak of a coronavirus necessitated that employees work from home. The safety mandates implemented by local and state jurisdictions, as well as the Organization's concern for the safety and welfare of staff and clients, directly impacted the ability to deliver in-person training programs and events. Staff shifted to a remote, "virtual" model for delivery of training, educational content, fundraising activities and support to L'Arche communities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 revenue in the period in which they are considered earned, rather than received, and expenses are recorded when incurred, rather than when paid.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contribution Revenue and Receivables

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase 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.

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 \$73,943 as of December 31, 2021. Most of the allowance consists of receivables that are over 90 days old.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, \$647,133 of the Organization's cash balance was uninsured.

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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, from which the summarized information was derived.

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2021 represent unconditional promises to pay. Payments of receivables are expected to be received in 2022.

As of December 31, 2021, the Organization had been awarded a conditional grant totaling \$33,000. The receipt of this grant was conditioned upon achieving certain goals and milestones. Therefore, the grant has not been included in the accompanying financial statements.

NOTE D – REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. While originally structured as loans, in substance these funds were conditional grants under ASC 958-605. The Organization qualified for its first advance of \$275,331 in 2020. The SBA repaid this advance on July 29, 2021. On April 7, 2021, the Organization qualified for a second \$271,720 PPP advance and met all conditions of the grant during 2021, with forgiveness granted on December 20, 2021. In total, the Organization recognized \$547,051 from the two PPP refundable advances during 2021.

NOTE E – 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, 2021:

Pledges-timing	\$	74,231
Templeton Foundation - Metrics		21,211
Staffing		20,000
Fundraising Workshop		42,480
2022 Operations		46,000
Solidarity with the South		145,219
Stewardship Foundation - Leadership		<u>50,000</u>
Total net assets with donor restrictions	\$	<u>399,141</u>

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

NOTE F – 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.

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 G – 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, 2021 amounted to \$59,621.

NOTE H – OPERATING LEASE COMMITMENT

On December 17, 2021, the Organization signed a sub-lease agreement for office space. As a result, the Organization must pay the Sublessor rent in the amount of fifty percent (50%) of all additional rent and other charges required of Sublessor under the Master Lease when due, including, without limitation, Sublessor's share of building taxes, insurance, and operating expenses. Base rent is currently estimated at \$1,625 per month beginning on January 16, 2022 and continuing on the first day of each month through the term of the lease which ends on June 30, 2023. The Sublessor may terminate this agreement with the Organization with 120 day notice.

The estimated minimum rental commitment is as follows:

Year Ending December 31,		
2022	\$	19,500
2023		<u>9,750</u>
	\$	<u><u>29,250</u></u>

NOTE I – 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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021

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

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 \$552,960 for the year ended December 31, 2021. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2021, the Organization received cash totaling \$66,236 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$557,314, including \$533,318 to L'Arche International.

At December 31, 2021, \$122,490 was recorded as a grant payable to L'Arche International.

NOTE J – LIQUIDITY

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,137,154
Accounts receivable	15,075
Grants receivable	230,850
Less those unavailable for general expenditure within one year, due to:	
Restriction by donor for purpose restriction	(324,910)
Restriction by donor for timing	<u>(74,231)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>983,938</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 K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 5, 2022 which is the date the financial statements were available to be issued.