

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

**Year Ended December 31, 2018**



**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**L'ARCHE U.S.A. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

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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 (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2018, 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, 2018, 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.

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

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited L'Arche U.S.A. and Affiliate's 2017 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matter***

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

*Kern & Thompson, LLC*

Portland, Oregon  
August 28, 2019

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

**December 31, 2018**  
(With Comparative Totals as of December 31, 2017)

**ASSETS**

	<b>2018</b>		<b>2017</b>
Cash and cash equivalents	\$ 662,524	\$	489,497
Accounts receivable, net	94,560		133,599
Grants receivable and contributions receivable	387,245		910,000
Prepaid expenses	22,008		27,417
<b>Total assets</b>	<b>\$ 1,166,337</b>	<b>\$</b>	<b>1,560,513</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 47,966	\$	4,239
Grants payable	188,107		592,445
Accrued payroll and retirement payable	30,279		15,870
Designations payable	18,982		6,602
<b>Total liabilities</b>	<b>285,334</b>		<b>619,156</b>
<b>Net assets</b>			
Without donor restrictions	456,301		433,911
With donor restrictions	424,702		507,446
<b>Total net assets</b>	<b>881,003</b>		<b>941,357</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,166,337</b>	<b>\$</b>	<b>1,560,513</b>

See notes to consolidated financial statements.

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

**Year Ended December 31, 2018**  
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
<b>Public support</b>				
Membership fees	\$ 452,209	\$ -	\$ 452,209	\$ 371,288
Grants and contributions	588,672	1,076,747	1,665,419	2,459,017
In-kind contributions	4,272	-	4,272	6,625
Total public support	<u>1,045,153</u>	<u>1,076,747</u>	<u>2,121,900</u>	<u>2,836,930</u>
<b>Other revenue</b>				
Registration fees	68,321	-	68,321	49,679
Interest	1,377	-	1,377	327
Other income	2,581	-	2,581	5,231
Released from restriction	1,159,491	(1,159,491)	-	-
Total other revenue	<u>1,231,770</u>	<u>(1,159,491)</u>	<u>72,279</u>	<u>55,237</u>
<b>Total public support and other revenue</b>	<b><u>2,276,923</u></b>	<b><u>(82,744)</u></b>	<b><u>2,194,179</u></b>	<b><u>2,892,167</u></b>
<b>Expenses</b>				
Program services	1,486,451	-	1,486,451	1,872,913
Supporting services	-	-	-	-
Management and general	244,453	-	244,453	329,832
Fund-raising	523,629	-	523,629	208,014
Total expenses	<u>2,254,533</u>	<u>-</u>	<u>2,254,533</u>	<u>2,410,759</u>
<b>Increase (decrease) in net assets</b>	<b>22,390</b>	<b>(82,744)</b>	<b>(60,354)</b>	<b>481,408</b>
Net assets, beginning of year	<u>433,911</u>	<u>507,446</u>	<u>941,357</u>	<u>459,949</u>
<b>Net assets, end of year</b>	<b><u>\$ 456,301</u></b>	<b><u>\$ 424,702</u></b>	<b><u>\$ 881,003</u></b>	<b><u>\$ 941,357</u></b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2018**

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

	<b>PROGRAM SERVICES</b>	<b>SUPPORTING SERVICES</b>		<b>Total</b>	
		<b>Management and General</b>	<b>Fund- Raising</b>	<b>2018</b>	<b>2017</b>
Salaries and related expenses	\$ 617,118	136,934	\$ 341,560	\$ 1,095,612	\$ 731,806
Professional services	37,650	34,041	88,220	159,911	132,356
Travel and conferences	23,318	12,738	12,020	48,076	60,551
L'Arche International operating support	331,200	-	-	331,200	1,030,041
L'Arche US Community Support	125,995	-	-	125,995	121,353
Revenue Sharing with L'Arche US Communities	37,647	-	-	37,647	-
L'Arche International for developing community support	112,212	-	-	112,212	72,000
International assessment	72,986	-	-	72,986	78,145
Meetings	112,190	14,769	58,843	185,802	127,485
Occupancy and communications	5,355	21,930	3,630	30,915	22,265
Postage and printing	206	816	4,901	5,923	4,002
Insurance	5,411	6,927	3,019	15,357	12,019
Supplies and equipment	2,673	2,549	5,011	10,233	4,705
Other	2,490	13,749	6,425	22,664	14,031
	<b>\$ 1,486,451</b>	<b>\$ 244,453</b>	<b>\$ 523,629</b>	<b>\$ 2,254,533</b>	<b>\$ 2,410,759</b>

See notes to consolidated financial statements.

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

**Year Ended December 31, 2018**  
(With Comparative Totals for the Year Ended December 31, 2017)

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (60,354)	\$ 481,408
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	39,039	(53,932)
Grants receivable	522,755	(880,000)
Prepaid expenses	5,409	(7,316)
Accounts payable	43,727	(22,881)
Grants payable	(404,338)	592,445
Accrued payroll and retirement payable	14,409	14,317
Designations payable	12,380	280
<b>Net cash provided by (used in) operating activities</b>	<b>173,027</b>	<b>124,321</b>
<b>Net change in cash</b>	<b>173,027</b>	<b>124,321</b>
Cash and cash equivalents, beginning of year	489,497	365,176
<b>Cash and cash equivalents, end of year</b>	<b>\$ 662,524</b>	<b>\$ 489,497</b>

See notes to consolidated financial statements.



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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

#### 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

##### Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 ("ASU 2016-14")*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporarily restricted, and permanently restricted). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

##### 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 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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Basis of Financial Statement Presentation (Continued)**

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.

##### **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.

##### **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.

##### **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.

##### **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 \$6,394 as of December 31, 2018. Approximately \$19,657 of accounts receivable were older than 90 days as of that date.

##### **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.

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

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

**December 31, 2018**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2018, \$205,251 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.

**Reclassifications**

Certain information in the 2017 financial statements has been reclassified for comparative purposes to conform to the 2018 presentation.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

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, 2017, from which the summarized information was derived.

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2018 represent unconditional promises to pay. Payments of receivables are expected to be received in the following years

Year Ended December 31,		
2019	\$	257,245
2020		55,000
2021		45,000
2022		<u>30,000</u>
	\$	<u>387,245</u>

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. A total of \$1,600,000 of this award has been recorded as grant revenue in 2017 and 2018. 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, 2018**

**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, 2018:

Pledges-Timing	\$	52,245
Fundraising and Communications Staff		36,691
SC Ministry-Timing and Purpose		50,000
Raskob Foundation-Timing and Purpose		15,766
Stewardship Foundation-Timing and Purpose		50,000
PNW Campaign-Timing		120,000
Operations-Timing		<u>100,000</u>
 Total net assets with donor restrictions	 \$	 <u><u>424,702</u></u>

**NOTE E – IN-KIND**

The Organization received \$4,272 of donated supplies and travel expenses during the year ended December 31, 2018.

**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, 2018 amounted to \$37,500.

**NOTE G – LEASE**

On November 14, 2018, the Organization renewed a three years 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, 2018, the total lease expense was \$15,665.

Approximate future lease payments are as follows:

Year Ended December 31,		
2019	\$	47,916
2020		49,353
2021		<u>50,834</u>
	\$	<u><u>148,103</u></u>

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

#### 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 \$432,096 for the year ended December 31, 2018. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2018, the Organization received cash and in-kind donations totaling \$50,015 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$680,040, including \$516,398 to L'Arche International.

At December 31, 2018, \$188,107 was recorded as a grant payable to L'Arche International.

#### 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, 2018:

Financial assets at year-end*		
Cash and cash equivalents	\$	662,524
Accounts receivable		94,560
Grants receivable		387,245
Less those unavailable for general expenditure within one year, due to:		
Restriction by donor for purpose restriction		(152,457)
Restriction by donor for timing		<u>(130,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>861,872</u></u>

\* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

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.

**L'ARCHE U.S.A. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2018**

**NOTE J – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 28, 2019 which is the date the financial statements were available to be issued.