

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

Year Ended December 31, 2020



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-12

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, 2020, 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, 2020, 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 L'Arche U.S.A. and Affiliate's 2019 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
August 30, 2021

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

December 31, 2020
(With Comparative Totals as of December 31, 2019)

ASSETS

	2020	2019
Cash and cash equivalents	\$ 1,319,178	\$ 921,833
Accounts receivable, net	26,914	23,975
Grants and contributions receivable, net	378,332	492,407
Prepaid expenses	11,333	22,700
Total assets	\$ 1,735,757	\$ 1,460,915

LIABILITIES AND NET ASSETS

Accounts payable	\$ 13,219	\$ 5,214
Grants payable	136,725	215,822
Accrued payroll and retirement payable	36,489	33,401
Designations payable	21,006	111,412
Refundable advance - Paycheck Protection Program	275,331	-
Total liabilities	482,770	365,849
Net assets		
Without donor restrictions	613,415	353,960
With donor restrictions	639,572	741,106
Total net assets	1,252,987	1,095,066
Total liabilities and net assets	\$ 1,735,757	\$ 1,460,915

See notes to consolidated financial statements.

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

Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
Public support				
Membership fees	\$ 555,576	\$ -	\$ 555,576	\$ 493,848
Grants and contributions	525,599	1,738,372	2,263,971	2,786,545
In-kind contributions	3,000	-	3,000	1,042
Total public support	1,084,175	1,738,372	2,822,547	3,281,435
Other revenue				
National reimbursement	179,535	-	179,535	175,654
Registration fees	540	-	540	43,048
Interest	1,972	-	1,972	3,747
Other income	288	-	288	431
Recovery of uncollectible pledges	40,000	-	40,000	-
Released from restriction	1,839,906	(1,839,906)	-	-
Total other revenue	2,062,241	(1,839,906)	222,335	222,880
Total public support and other revenue	3,146,416	(101,534)	3,044,882	3,504,315
Expenses				
Program services	2,104,600	-	2,104,600	2,373,091
Supporting services				
Management and general	277,698	-	277,698	316,018
Fund-raising	504,663	-	504,663	601,143
Total expenses	2,886,961	-	2,886,961	3,290,252
Increase (decrease) in net assets	259,455	(101,534)	157,921	214,063
Net assets, beginning of year	353,960	741,106	1,095,066	881,003
Net assets, end of year	\$ 613,415	\$ 639,572	\$ 1,252,987	\$ 1,095,066

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

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

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2020	2019
Salaries and related expenses	\$ 742,654	158,856	450,482	\$ 1,351,992	\$ 1,353,073
Professional services	121,701	50,229	4,772	176,702	127,870
Travel and conferences	6,288	3,029	3,563	12,880	70,186
L'Arche International operating support	912,625	-	-	912,625	1,055,590
L'Arche US Community Support	16,140	-	-	16,140	132,847
L'Arche International for developing community support	176,508	-	-	176,508	166,021
International assessment	92,421	-	-	92,421	81,279
Meetings	17,520	1,669	1,255	20,444	128,003
Occupancy and communications	5,824	53,096	4,500	63,420	67,584
Postage and printing	562	724	7,054	8,340	9,410
Insurance	10,509	7,951	4,112	22,572	20,594
Uncollectible pledges	-	-	22,949	22,949	52,176
Supplies and equipment	1,423	586	702	2,711	15,123
Other	425	1,558	5,274	7,257	10,496
	\$ 2,104,600	\$ 277,698	\$ 504,663	\$ 2,886,961	\$ 3,290,252

See notes to consolidated financial statements.

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

Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 157,921	\$ 214,063
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(2,939)	70,585
Grants receivable	114,075	(105,162)
Prepaid expenses	11,367	(692)
Accounts payable	8,005	(5,104)
Grants payable	(79,097)	27,715
Accrued payroll and retirement payable	3,088	3,122
Designations payable	(90,406)	54,782
Refundable advance - Paycheck Protection Program	275,331	-
Net cash provided by (used in) operating activities	397,345	259,309
Net change in cash	397,345	259,309
Cash and cash equivalents, beginning of year	921,833	662,524
Cash and cash equivalents, end of year	\$ 1,319,178	\$ 921,833

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

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 (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. 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 the accounts 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, 2020

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 \$30,841 as of December 31, 2020. Approximately \$22,000 of accounts receivable were older than 90 days as of that date.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

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, 2020, \$950,520 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, 2020

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, 2019, from which the summarized information was derived.

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2020 represent unconditional promises to pay. Payments of receivables are expected to be received in the following years

Year Ended December 31,	
2021	\$ 328,332
2022	40,000
2023	<u>10,000</u>
	<u>\$ 378,332</u>

As of December 31, 2020, the Organization had been awarded an additional grant totaling \$33,000. The receipt of which was conditioned upon achieving certain goals and milestones. This grant has not been included in the accompanying financial statements because the associated conditions had not been met.

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. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$275,331 on April 28, 2020.

Although the legal form of the PPP was a loan, the criteria for forgiveness has been met and the SBA approved the application for forgiveness on June 23, 2021. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

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, 2020:

Pledges-timing	\$	234,658
Bequest		114,085
Templeton Foundation - Metrics		110,739
Staffing		58,307
Fundraising Workshop		54,980
2021 Operations		40,000
Solidarity with the South		12,500
Stewardship Foundation - Timing and COVID		10,000
Member development training		<u>4,303</u>
Total net assets with donor restrictions	\$	<u>639,572</u>

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. During the year ended December 31, 2020, the Organization recorded \$3,000 of donated consulting services.

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 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, 2020 amounted to \$48,064.

NOTE H – LEASE

On November 14, 2018, 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, 2020, the total lease expense was \$46,562. The lease commitments for the year 2021 totals \$50,834.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

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.

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 \$555,567 for the year ended December 31, 2020. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2020, the Organization received cash and in-kind donations totaling \$77,367 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$1,105,273, including \$1,089,133 to L'Arche International.

At December 31, 2020, \$118,393 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, 2020:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,319,178
Accounts receivable	26,914
Grants receivable	378,332
Less those unavailable for general expenditure within one year, due to:	
Restriction by donor for purpose restriction	(250,829)
Restriction by donor for timing	<u>(40,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,433,595</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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE K – UNCERTAINTY

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.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 30, 2021 which is the date the financial statements were available to be issued.

In April, 2021, the Organization received a second Paycheck Protection Program loan of \$271,720 that will be forgivable if certain conditions are met.