

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

Year Ended December 31, 2022



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-13

INDEPENDENT AUDITOR'S 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, 2022, 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, 2022, 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 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
September 5, 2023

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

December 31, 2022
(With Comparative Totals as of December 31, 2021)

ASSETS

	2022	2021
Cash and cash equivalents	\$ 1,119,527	\$ 1,137,154
Accounts receivable, net	11,643	15,075
Grants and contributions receivable, net	210,163	230,850
Prepaid expenses	12,493	12,500
Operating lease right of use asset	127,258	-
Total assets	\$ 1,481,084	\$ 1,395,579

LIABILITIES AND NET ASSETS

Accounts payable	\$ 3,740	\$ 21,379
Grants payable	115,065	133,785
Accrued payroll and retirement payable	52,621	44,337
Operating lease right of use liability	127,258	-
Total liabilities	298,684	199,501
Net assets		
Without donor restrictions	810,158	796,937
With donor restrictions	372,242	399,141
Total net assets	1,182,400	1,196,078
Total liabilities and net assets	\$ 1,481,084	\$ 1,395,579

See notes to consolidated financial statements.

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

Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Public support				
Membership fees	\$ 601,456	\$ -	\$ 601,456	\$ 552,960
Grants and contributions	493,084	1,205,873	1,698,957	1,332,161
Paycheck Protection Program grant	-	-	-	547,051
Employee Retention Tax Credit	435,375	-	435,375	-
In-kind contributions	166	-	166	-
Total public support	1,530,081	1,205,873	2,735,954	2,432,172
Other revenue				
National reimbursement	139,852	-	139,852	168,236
Registration fees	33,903	-	33,903	5,648
Interest	2,244	-	2,244	1,563
Other income	2,613	-	2,613	4,670
Released from restriction	1,232,772	(1,232,772)	-	-
Total other revenue	1,411,384	(1,232,772)	178,612	180,117
Total public support and other revenue	2,941,465	(26,899)	2,914,566	2,612,289
Expenses				
Program services	2,064,038	-	2,064,038	1,774,644
Supporting services				
Management and general	332,133	-	332,133	323,779
Fundraising	532,073	-	532,073	570,775
Total expenses	2,928,244	-	2,928,244	2,669,198
Increase (decrease) in net assets	13,221	(26,899)	(13,678)	(56,909)
Net assets, beginning of year	796,937	399,141	1,196,078	1,252,987
Net assets, end of year	\$ 810,158	\$ 372,242	\$ 1,182,400	\$ 1,196,078

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

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

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2022	2021
Salaries and related expenses	\$ 943,659	\$ 192,169	\$ 386,228	\$ 1,522,056	\$ 1,506,068
Professional services	110,184	62,196	55,940	228,320	307,264
International assessment	86,093	-	-	86,093	86,049
L'Arche International operating support	307,060	-	-	307,060	328,310
L'Arche International for developing community support	366,568	-	-	366,568	205,008
L'Arche US community support	96,694	-	-	96,694	23,996
Travel and conferences	70,913	16,052	56,620	143,585	17,605
Meetings	24,785	14,650	10,558	49,993	33,903
Occupancy and communications	7,311	31,602	3,788	42,701	64,551
Supplies and equipment	5,662	3,478	913	10,053	7,187
Uncollectible dues	34,072	-	-	34,072	43,102
Insurance	9,526	7,991	5,422	22,939	23,211
Postage and printing	298	2,243	9,291	11,832	8,890
Other	1,213	1,752	3,313	6,278	14,054
	<u>\$ 2,064,038</u>	<u>\$ 332,133</u>	<u>\$ 532,073</u>	<u>\$ 2,928,244</u>	<u>\$ 2,669,198</u>

See notes to consolidated financial statements.

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

Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (13,678)	\$ (56,909)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable	3,432	11,839
Grants and contributions receivable	20,687	147,482
Prepaid expenses	7	(1,167)
Accounts payable	(17,639)	8,160
Grants payable	(18,720)	(2,940)
Accrued payroll and retirement payable	8,284	7,848
Designations payable	-	(21,006)
Refundable advance - Paycheck Protection Program	-	(275,331)
Net cash provided by (used in) operating activities	(17,627)	(182,024)
Net change in cash	(17,627)	(182,024)
Cash and cash equivalents, beginning of year	1,137,154	1,319,178
Cash and cash equivalents, end of year	\$ 1,119,527	\$ 1,137,154

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

NOTE A – DESCRIPTION OF ORGANIZATION

The mission of L'Arche is to support people with intellectual disabilities and, together with our partners in the global disability movement, to build a more human society where no one is left behind.

L'Arche offers a unique model of community where people with intellectual disabilities – the core members of L'Arche – share life together with those who support them. Caregivers at L'Arche are allies and support the full inclusion of persons with disabilities in all aspects of society. While L'Arche has a profound impact in the lives of its members, families, neighbors, and friends, its mission is also to raise awareness, understanding, and advocacy in the U.S. And around the world. L'Arche welcomes difference and celebrates people across the full spectrum of human ability. At L'Arche, people with intellectual disabilities are supported in a network of friendship, allyship, and professional service that works to promote dignity, rights, freedom, choice, and belonging for every human being.

L'Arche USA represents the national operations of L'Arche in the U.S., and our work centers on three main areas: launching and sustaining L'Arche communities in the U.S., the learning and development of L'Arche members and participants, and elevating public awareness, understanding, and discourse on behalf of disability rights, especially inclusion.

L'Arche USA presently works across 18 states and the district of Colombia to support and grow housing and services that meet needs for people with intellectual disabilities in the U.S. In the U.S. L'Arche communities deliver services to over 250 individuals with intellectual disabilities and their families and employ more than 450 people in the caregiving profession. Supports and services include 65 small, community-based, staffed housing options and a number of active daily programming and outreach options. Additionally, L'Arche fosters a number of disability-led groups working to establish a network of outreach, care, and support for people with disabilities and their families. L'Arche continues to receive requests for more services and works to grow its capacity to meet increasing need in the U.S.

L'Arche USA also supports learning and development across the U.S. By providing information and training, structured professional communities of practice, and personal and relational development that works in tandem with local experiential learning and practice, helping participants share knowledge, explore guides and best practices, and engage with a diversity of experts and peers in the disability movement. Concurrently, L'Arche supports a digital learning library that delivers access to relevant resources and ongoing learning across the U.S. Additionally, opportunities like symposia, regional, and national events serve to elevate and foster community connection through technology, a specific existing need L'Arche also works to meet.

Importantly, the intentional community environment created by L'Arche brings together a diversity of people and promotes understanding and respect, human connection, and compassion in a time when it is most needed in our world. L'Arche prioritizes peace, human rights, and justice and invests in partnerships to raise engagement and build a more human society. In this movement, L'Arche amplifies the inclusion and priorities of persons with intellectual disabilities and believes that, together, we can build a world where no one is left behind.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the year ended December 31, 2022, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”) and *Accounting Standards Update No. 2016-02, Leases Topic 842* (“ASC 842”).

The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. It is important to note that ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

ASC 842 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization elected to adopt ASC 842 effective January 1, 2022 using the optional transition method to apply the transition provisions from the date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances.

Operating lease ROU assets and operating lease liabilities are recognized at the present value of the lease payments over the base noncancelable lease term at the lease commencement date for each lease. The Organization elected the practical expedient allowing use of the risk free rate as the interest rate for determining the present value of the future lease payments.

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

The Organization 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.

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:

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Financial Statement Presentation (Continued)

- **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. 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 the Organization 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 \$102,615 as of December 31, 2022. Most of the allowance consists of receivables that are over 90 days old.

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, 2022

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, 2022, \$650,787 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.

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, 2021, from which the summarized information was derived.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable expected to be collected in:

Less than one year	\$	146,163
One to five years		<u>64,000</u>
	\$	<u><u>210,163</u></u>

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, 2022:

Pledges-timing	\$	132,516
Safeguarding		21,890
Designated for communities		22,750
2023 operations		27,013
International designations		107,221
Leadership		<u>60,852</u>
Total net assets with donor restrictions	\$	<u><u>372,242</u></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, 2022, the Organization received donated travel expenses valued at \$166. 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, 2022 amounted to \$50,959.

NOTE G – OPERATING LEASE COMMITMENT

The Organization has entered into 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. On May 29, 2023, the Organization renewed the sub-lease for an additional five years through June 17, 2028, at an estimated base rent of \$2,010 per month. The Sublessor may terminate this agreement with the Organization with 120 day notice.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE G – OPERATING LEASE COMMITMENT (CONTINUED)

Operating Facilities Lease

The Organization has recognized an initial ROU asset and liability of \$127,258 using a risk free 7-year rate of 1.55%.

	Facilities Lease
Annual Lease Cost	\$ <u>23,239</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ <u>18,696</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u>151,638</u>
Weighted-average remaining lease term	5.5 years
Weighted-average discount rate	1.55%
<u>Year Ending December 31,</u>	<u>Facilities Lease</u>
2023	\$ 23,540
2024	23,920
2025	24,505
2026	24,955
2027	25,367
2028	<u>10,655</u>
Total future undiscounted lease payments	132,942
Less present value discount	<u>(5,684)</u>
Total lease liability	\$ <u>127,258</u>

Total office rent expense for the year ended December 31, 2022, was \$27,283.

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.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE H – 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 \$601,456 for the year ended December 31, 2022. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2022, 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 \$770,322, including \$761,641 to L'Arche International.

At December 31, 2022, \$107,219 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, 2022:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,119,527
Accounts receivable	11,643
Grants receivable	210,163
Less those unavailable for general expenditure within one year, due to:	
Restriction by donor for purpose restriction	(239,726)
Restriction by donor for timing	<u>(132,516)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>969,091</u></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 September 5, 2023 which is the date the financial statements were available to be issued.