

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

Year Ended December 31, 2023



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

L'ARCHE U.S.A. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2023

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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, 2023, 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, 2023, 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 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
August 5, 2024

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

December 31, 2023
(With Comparative Totals as of December 31, 2022)

ASSETS

	2023	2022
Cash and cash equivalents	\$ 713,181	\$ 1,119,527
Accounts receivable, net	26,570	11,643
Grants and contributions receivable, net	404,236	210,163
Prepaid expenses	10,937	12,493
Operating lease right of use asset	105,625	127,258
Total assets	\$ 1,260,549	\$ 1,481,084

LIABILITIES AND NET ASSETS

Accounts payable	\$ 2,633	\$ 3,740
Grants payable	210,259	115,065
Accrued payroll and retirement payable	48,602	52,621
Operating lease right of use liability	105,625	127,258
Total liabilities	367,119	298,684
Net assets		
Without donor restrictions	319,200	810,158
With donor restrictions	574,230	372,242
Total net assets	893,430	1,182,400
Total liabilities and net assets	\$ 1,260,549	\$ 1,481,084

See notes to consolidated financial statements.

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

Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Public support				
Membership fees	\$ 615,256	\$ -	\$ 615,256	\$ 601,456
Grants and contributions	357,091	1,334,895	1,691,986	1,698,957
Employee Retention Tax Credit	-	-	-	435,375
In-kind contributions	5,643	-	5,643	166
Total public support	977,990	1,334,895	2,312,885	2,735,954
Other revenue				
National reimbursement	191,157	-	191,157	139,852
Registration fees	30,172	-	30,172	33,903
Interest	4,747	-	4,747	2,244
Other income	1,704	-	1,704	2,613
Released from restriction	1,132,907	(1,132,907)	-	-
Total other revenue	1,360,687	(1,132,907)	227,780	178,612
Total public support and other revenue	2,338,677	201,988	2,540,665	2,914,566
Expenses				
Program services	2,090,362	-	2,090,362	2,064,038
Supporting services				
Management and general	280,090	-	280,090	332,133
Fundraising	459,183	-	459,183	532,073
Total expenses	2,829,635	-	2,829,635	2,928,244
Increase (decrease) in net assets	(490,958)	201,988	(288,970)	(13,678)
Net assets, beginning of year	810,158	372,242	1,182,400	1,196,078
Net assets, end of year	\$ 319,200	\$ 574,230	\$ 893,430	\$ 1,182,400

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

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

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fund- Raising	2023	2022
Salaries and related expenses	\$ 1,006,935	\$ 184,183	\$ 388,274	\$ 1,579,392	\$ 1,522,056
Professional services	51,778	35,371	30,622	117,771	228,320
Travel and conferences	79,294	8,250	10,625	98,169	86,093
L'Arche International operating support	21,500	-	-	21,500	307,060
L'Arche US Community support	34,666	-	-	34,666	366,568
L'Arche International for developing community support	754,284	-	-	754,284	96,694
International assessment	94,213	-	-	94,213	143,585
Meetings	29,446	13,026	9,096	51,568	49,993
Occupancy and communications	8,525	27,722	3,600	39,847	42,701
Postage and printing	494	150	10,661	11,305	10,053
Insurance	7,404	7,844	2,496	17,744	34,072
Uncollectable dues	-	-	-	-	22,939
Supplies and equipment	1,634	2,009	1,164	4,807	11,832
Other	189	1,535	2,645	4,369	6,278
	\$ 2,090,362	\$ 280,090	\$ 459,183	\$ 2,829,635	\$ 2,928,244

See notes to consolidated financial statements.

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

Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (288,970)	\$ (13,678)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Accounts receivable, net	(14,927)	3,432
Grants and contributions receivable, net	(194,073)	20,687
Prepaid expenses	1,556	7
Accounts payable	(1,107)	(17,639)
Grants payable	95,194	(18,720)
Accrued payroll and retirement payable	(4,019)	8,284
Net cash provided by (used in) operating activities	(406,346)	(17,627)
Net change in cash	(406,346)	(17,627)
Cash and cash equivalents, beginning of year	1,119,527	1,137,154
Cash and cash equivalents, end of year	\$ 713,181	\$ 1,119,527

See notes to consolidated financial statements.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

NOTE A – DESCRIPTION OF ORGANIZATION

The mission of L'Arche USA (L'Arche or the Organization) is to support people with intellectual disabilities and, together with our partners in the global disability movement, to build a more humane 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 Columbia to support and grow housing and services that meet needs for people with intellectual disabilities in the U.S. 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, 2023

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

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:

- **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.

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 \$8,394 as of December 31, 2023. 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, 2023

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.

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, 2023, approximately \$250,000 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, 2022, from which the summarized information was derived.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE C – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable expected to be collected in:

Less than one year	\$	254,324
One to five years		<u>149,912</u>
	\$	<u><u>404,236</u></u>

Contributions and grants receivable collectible in period beyond one year have not been discounted to present value, as effect of doing so is not material to the financial statements.

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, 2023:

Pledges-timing	\$	313,971
IDD communities		25,000
Disability inclusion		40,000
Financial aid		<u>195,259</u>
Total net assets with donor restrictions	\$	<u><u>574,230</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, 2023, the Organization received donated travel expenses valued at \$5,643. 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, 2023, amounted to \$59,377.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

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 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.

Operating Facilities Lease

The following summarizes cash flow information related to the leases for the year ended December 31, 2023:

	<u>Facilities Lease</u>
Annual Lease Cost	\$ <u>24,738</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from leases	\$ <u>24,738</u>
Weighted-average remaining lease term	4.5 years
Weighted-average discount rate	1.55%
<u>Year Ending December 31,</u>	<u>Facilities Lease</u>
2024	\$ 23,920
2025	24,505
2026	24,955
2027	25,367
2028	<u>10,655</u>
Total future undiscounted lease payments	109,402
Less present value discount	<u>(3,777)</u>
Total lease liability	\$ <u><u>105,625</u></u>

NOTE H – RELATED-PARTY TRANSACTIONS AND AFFILIATE SUPPORT

L'Arche communities are organizations of local people coming together to address local needs. They are independent, not-for-profit corporations, whose membership in the International Federation of L'Arche Communities is approved according to a Community Membership Policy by governance structures of L'Arche U.S.A. and L'Arche International and operate under a Community Membership Policy with L'Arche U.S.A. All affiliated communities are encouraged to be self-supporting in their fund-raising efforts. However, the Organization also solicits contributions, both cash and in-kind, on behalf of its affiliates.

L'ARCHE U.S.A. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

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 \$615,256 for the year ended December 31, 2023. Additional fundraising efforts result in financial support that benefits various communities within and outside of the United States.

During 2023, the Organization received cash totaling \$79,092 from members of the Board of Directors. The Organization made grants to L'Arche communities for special projects totaling \$34,666 and \$754,284 to L'Arche International.

At December 31, 2023, \$195,259 was recorded as a grant payable to L'Arche International.

NOTE I – LINE OF CREDIT

The Organization maintains a demand line of credit with Beneficial State Bank. The credit limit is \$150,000 with an interest payable monthly at 2% over prime (10.5% at December 31, 2023). There was no balance on the line of credit at December 31, 2022 or December 31, 2023.

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, 2023:

Financial assets at year-end	
Cash and cash equivalents	\$ 713,181
Accounts receivable	26,570
Grants receivable	404,236
Less those unavailable for general expenditure within one year, due to:	
Restriction by donor for purpose restriction	(260,259)
Restriction by donor for timing	<u>(155,700)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>728,028</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 K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 5, 2024 which is the date the financial statements were available to be issued.