

L'ARCHE SPOKANE
(A Non-Profit Organization)
Spokane, Washington

**FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**
December 31, 2018

L'ARCHE SPOKANE
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
L'Arche Spokane
703 E Nora
Spokane, Washington 99207

We have reviewed the accompanying statement of financial position of L'Arche Spokane (a nonprofit corporation) as of December 31, 2018, and the related statement of activities, functional expenses, and cash flows for the year ended December 31, 2018 and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Schoedel & Schoedel CPAs PLLC

Spokane, Washington
September 23, 2019

L'ARCHE SPOKANE
(A Non-Profit Organization)
Spokane, Washington

STATEMENT OF FINANCIAL POSITION
As of December 31, 2018

ASSETS

CURRENT ASSETS:

Cash on hand and in banks	\$ 211,888
Accounts receivable	19,668
Total current assets	<u>231,556</u>

PROPERTY AND EQUIPMENT:

Property and equipment, net	205,424
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OTHER ASSETS:

Funds held for others	1,764
Endowment Funds	260,258
Total other assets	<u>262,022</u>
Total assets	<u>\$ 699,002</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 5,448
Accrued expenses	1,732
Total current liabilities	<u>7,180</u>

OTHER LIABILITIES:

Funds held for others	<u>1,764</u>
Total liabilities	<u>8,944</u>

NET ASSETS:

Without donor restrictions:	429,800
With donor restrictions	<u>260,258</u>
Total net assets	<u>690,058</u>
Total liabilities and net assets	<u>\$ 699,002</u>

See accompanying notes and independent accountant's review report.

L'ARCHE SPOKANE
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Spokane, Washington

STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Contributions	\$ 64,927	\$ -	\$ 64,927
Grants	5,000	-	5,000
Fundraising events, net	9,078	-	9,078
Revenue:			
Interest	33	-	33
Program service revenue	393,699	-	393,699
Total public support and revenue	<u>472,737</u>	<u>-</u>	<u>472,737</u>
Functional expenses:			
Program services	347,155	-	347,155
Management and general	34,994	-	34,994
Fundraising	6,133	-	6,133
Total functional expenses	<u>388,282</u>	<u>-</u>	<u>388,282</u>
Other changes in net assets			
Unrealized loss in endowment fund	-	(31,286)	(31,286)
Transfer to donor restricted account	<u>(3,803)</u>	<u>3,803</u>	<u>-</u>
CHANGE IN NET ASSETS	80,652	(27,483)	53,169
NET ASSETS - Beginning of year	<u>349,148</u>	<u>287,741</u>	<u>636,889</u>
NET ASSETS - End of year	<u><u>\$ 429,800</u></u>	<u><u>\$ 260,258</u></u>	<u><u>\$ 690,058</u></u>

See accompanying notes and independent accountant's review report.

L'ARCHE SPOKANE
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Spokane, Washington

STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

CASH FLOWS FROM OPERATIONS:

Change in net assets	\$ 53,169
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	9,742
Unrealized Losses	31,286
Net (increase) decrease in:	
Accounts receivable	(1,331)
Net increase (decrease) in:	
Accounts payable	5,327
Accrued liabilities	<u>(765)</u>
Net cash flows from operating activities	<u>97,428</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(9,744)
Reciprocal transfer to Innovia Foundation	<u>(3,803)</u>
Net cash from (used by) investing activities	<u>(13,547)</u>

CHANGE IN CASH 83,881

CASH - Beginning of year 128,006

CASH - End of year \$ 211,887

See accompanying notes and independent accountant's review report.

L'ARCHE SPOKANE
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STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services	Management and General	Fund Raising	Total
EXPENSES:				
Salaries and related costs:				
Salaries	\$ 195,416	\$ 18,546	\$ 3,259	217,221
Insurance - medical and dental	18,734	2,503	356	21,593
Taxes - payroll	21,926	1,573	294	23,793
Total salaries and related costs	236,076	22,622	3,909	262,607
Advertising	104	-	-	104
Accounting	-	4,500	-	4,500
Information technology	785	664	-	1,449
Occupancy	10,651	843	-	11,494
Conferences, conventions, and meetings	12,440	1,080	840	14,360
Facility maintenance	10,932	-	-	10,932
Community activities and programs	2,530	69	-	2,599
Fundraising	-	-	-	-
Food and household expenses	30,170	-	-	30,170
Insurance - general	-	2,742	-	2,742
Travel - administrative	10,841	1,013	237	12,091
Office expenses	8,766	974	1,147	10,887
Payments to affiliates	14,605	-	-	14,605
Depreciation	9,255	487	-	9,742
Total expenses	<u>\$ 347,155</u>	<u>\$ 34,994</u>	<u>\$ 6,133</u>	<u>\$ 388,282</u>

See accompanying notes and independent accountant's review report.

L'ARCHE SPOKANE
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS:

Organization and Nature of Operations - L'Arche Spokane formed a corporation in September 1976, to make known the gifts of people with development disabilities, revealed through mutually transforming relationships, to foster an environment in community that responds to the changing needs of members while being faithful to the core values of their founding story.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of L'Arche Spokane (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Method of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting.

Use of Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial Statement Presentation - As required by accounting principles generally accepted in the United States of America (GAAP), the Organization reports information regarding its financial position and activities according to two classes of net assets (without donor restrictions and with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents consist of amounts in checking accounts, money market accounts, and cash on hand.

Accounts and Pledges Receivable - Accounts receivable are uncollateralized (medical payments and receivables from fundraisers) due under normal trade terms requiring payment within 30 days from the invoice date. In the opinion of management, all accounts receivable are collectible in full and are less than 90 days delinquent; therefore, no allowance for doubtful accounts is provided.

Property and Equipment - Equipment, which is carried at cost, is being depreciated using the straight-line method over the estimated useful lives of the various assets. The Organization capitalizes additions of property and equipment in excess of \$500 cost or fair value, if donated.

See independent accountant's review report.

L'ARCHE SPOKANE
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising Costs - Advertising costs are expensed as incurred throughout the period.

Beneficial Interest in a Community Foundation Fund - The beneficial interest in a community foundation fund is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions.

Statement of Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and administration based on the benefits derived.

Income Tax Status - The Organization has been granted an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Date of Management Review - Management has considered subsequent events through September 23, 2019, the date the financial statements were available to be issued.

Recent Accounting Standard Updates - Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this ASU are intended to improve financial statement presentation for not-for-profit organizations. Topics within ASU 2016-014 affecting the project include net asset classification, information about liquidity and availability of funds, expense presentation, and statement of cash flow presentation.

ASU 2016-014 requires net assets to be classified as either with restrictions or without restrictions in addition to more detailed disclosure regarding specific restrictions and board designations, as applicable.

ASU 2016-014 requires disclosure improving the financial statement user's ability to assess the not-for-profit's available financial resources and liquidity. Disclosure is required of both quantitative and qualitative information about the availability of and how the not-for-profit manages its liquid available resources to meet its cash needs for general expenditures within one year of the balance sheet date. See note 7.

In order to make information about expenses more comparable and useful, ASU 2016-014 requires all not-for-profits to provide information about operating expenses by both nature and function. This new requirement is not a change for the organization since all expenses are expenses of the project (i.e. function).

ASU 2016-014 provides the option of presenting the direct or indirect method Statement of Cash Flows. The organization has elected to present this statement using the indirect method.

See independent accountant's review report.

L'ARCHE SPOKANE
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 - PROPERTY AND EQUIPMENT:

Equipment at cost consists of the following at December 31:

	<u>2017</u>
Land - Harvest House	\$ 29,256
Land - Trinity House	21,125
Building - Harvest House	97,944
Building - Trinity House	141,375
Leasehold Improvements	117,186
Furniture/Appliances	2,638
Vehicles	<u>31,404</u>
Totals	440,928
Less accumulated depreciation	<u>(235,504)</u>
	<u>\$ 205,424</u>

Depreciation expense totaled \$9,742 for the year ended December 31, 2018.

NOTE 4 - FAIR VALUE HIERARCHY:

L'Arche Spokane measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in price in the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any related market activity.

As of December 31, 2018, the following financial assets of the Corporation were measured at fair value on a recurring basis consistent with the fair value hierarchy provisions:

See independent accountant's review report.

L'ARCHE SPOKANE
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 - FAIR VALUE HIERARCHY (Continued):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest	\$ -	\$ -	\$ 260,258	\$ 260,258

The beneficial interest, a Level 3 asset, is valued at fair value, as provided by Innovia Foundation. For composition of beneficial interest see Note 5.

NOTE 5 - BENEFICIAL INTEREST:

L'Arche Spokane, per FASB ASC Section 958-605-25, adopted "Transfers of Assets to a Not-for-Profit Organization of Charitable Trust that Raises or Holds Contributions for Others." This statement requires a resource provider (L'Arche Spokane) that specifies itself as the beneficiary to report the transactions as a reciprocal transfer, and to record an interest in the net assets of the recipient organization (Innovia Foundation). FASB ASC Section 958-605-25 requires this transaction to be recorded as a "beneficial interest" and carried at fair value. See note 4. The Organization has made such reciprocal transfers of funds to Innovia Foundation.

As of December 31, 2018, the fair value of these funds were \$260,258. The Organization has the ability to accept a distribution of income earned on this principal on an annual basis. If the Organization chooses not to accept this distribution, the amount is incorporated into the original principal.

Given the nature of the beneficial interest, and the accounting requirements of FASB ASC Section 958-605-25, the beneficial interest has been recorded on the statement of financial position at the fair value of the Foundation's asset and classified as net assets with donor restrictions. The fluctuation in the fair value of the beneficial interest from year to year is included in the statement of activities as part of the change in net assets with donor restrictions.

Change in Beneficial Interest for the year ended December 31, 2018:

Beneficial Interest, December 31, 2017	\$ 287,741
Reciprocal transfer to Innovia Foundation	3,803
Net investment losses (realized and unrealized)	(31,286)
Beneficial Interest, December 31, 2018	<u>\$ 260,258</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS:

Beneficial interest in Innovia - see Note 5	<u>\$ 260,258</u>
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See independent accountant's review report.

L'ARCHE SPOKANE
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - LIQUIDITY AND AVAILABILITY:

The organization has \$231,555 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$211,887 and accounts receivable of \$19,668. None of these amounts are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position.

The organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash outflows are planned accordingly so as not to exceed those expected inflows.