

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**
December 31, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of L'Arche Spokane (a nonprofit corporation) as of December 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year ended December 31, 2020 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
May 20, 2021

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

STATEMENT OF FINANCIAL POSITION
As of December 31, 2020

ASSETS

CURRENT ASSETS:	
Cash on hand and in banks	\$ 408,190
Accounts receivable	32,989
Total current assets	441,179
PROPERTY AND EQUIPMENT:	
Property and equipment, net	185,979
OTHER ASSETS:	
Funds held for others	5,771
Endowment funds	337,055
Total other assets	342,826
Total assets	\$ 969,984

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 902
Accrued expenses	1,923
Deferred revenue	2,600
Total current liabilities	5,425
OTHER LIABILITIES:	
Funds held for others	5,771
Total liabilities	11,196
NET ASSETS:	
Without donor restrictions	621,733
With donor restrictions:	
Board designated	316,275
Other	20,780
Total net assets	958,788
Total liabilities and net assets	\$ 969,984

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Contributions	\$ 109,142	\$ -	\$ 109,142
Grants	500	-	500
Fundraising events, net	-	-	-
Revenue:			
Interest	100	-	100
Program service revenue	583,476	-	583,476
Total public support and revenue	693,218	-	693,218
Functional expenses:			
Program services	484,759	-	484,759
Management and general	51,917	-	51,917
Fundraising	6,834	-	6,834
Total functional expenses	543,510	-	543,510
Other changes in net assets			
Unrealized gain in endowment fund	-	35,262	35,262
CHANGE IN NET ASSETS	149,708	35,262	184,970
NET ASSETS - Beginning of year	472,025	301,793	773,818
NET ASSETS - End of year	\$ 621,733	\$ 337,055	\$ 958,788

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, 2020

CASH FLOWS FROM OPERATIONS:	
Change in net assets	\$ 184,970
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	9,328
Unrealized gains	(35,262)
Net (increase) decrease in:	
Accounts receivable	(7,427)
Prepaid expenses	1,536
Net increase (decrease) in:	
Accounts payable	(3,483)
Accrued expenses	(694)
Deferred revenue	600
	<hr/>
Net cash flows from operating activities	149,568
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	-
	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES:	-
	<hr/>
CHANGE IN CASH	149,568
CASH - Beginning of year	<hr/> 258,622
CASH - End of year	<hr/> <hr/> \$ 408,190

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, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
EXPENSES:				
Salaries and related costs:				
Salaries	301,743	30,583	4,811	337,137
Insurance - medical and dental	44,446	5,205	554	50,205
Taxes - payroll	29,194	2,347	358	31,899
Total salaries and related costs	<u>375,383</u>	<u>38,135</u>	<u>5,723</u>	<u>419,241</u>
Accounting	-	4,720	-	4,720
Legal	-	1,668	-	1,668
Information technology	2,824	858	-	3,682
Occupancy	13,285	-	-	13,285
Conferences, conventions, and meetings	4,112	-	-	4,112
Facility maintenance	4,509	-	-	4,509
Community activities and programs	2,655	-	-	2,655
Food and household expenses	31,417	-	-	31,417
Insurance - general	-	3,611	-	3,611
Travel - administrative	11,813	978	-	12,791
Office expenses	9,045	981	1,111	11,137
Payments to affiliates	18,912	-	-	18,912
Depreciation	8,862	466	-	9,328
Miscellaneous	1,942	500	-	2,442
Total expenses	<u><u>484,759</u></u>	<u><u>51,917</u></u>	<u><u>6,834</u></u>	<u><u>543,510</u></u>

See accompanying notes and independent accountant's review report.

L'ARCHE SPOKANE
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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. All net assets are classified accordingly with the exception of board designated amounts, which are reported as part of the with donor restrictions class.

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 receivable 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

See independent accountant's review report.

L'ARCHE SPOKANE
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NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

capitalizes additions of property and equipment in excess of \$5,000 cost or fair value, if donated.

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 May 20, 2021, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT:

Equipment at cost consists of the following at December 31:

	<u>2020</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>(254,949)</u>
	<u>\$ 185,979</u>

Depreciation expense totaled \$9,328 for the year ended December 31, 2020.

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

See independent accountant's review report.

L'ARCHE SPOKANE
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NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 - FAIR VALUE HIERARCHY (Continued):

use in pricing 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, 2020, the following financial assets of the Corporation were measured at fair value on a recurring basis consistent with the fair value hierarchy provisions:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Beneficial interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,055</u>	<u>\$ 337,055</u>

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, 2020, the fair value of these funds were \$337,054. 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.

See independent accountant's review report.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 - BENEFICIAL INTEREST (Continued):

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, 2020:

	<u>Quasi Fund</u>	<u>Other Fund</u>
Beneficial Interest, December 31, 2019	\$ 283,187	\$ 18,606
Reciprocal transfer to Innovia Foundation	-	-
Net investment gains (realized and unrealized)	<u>33,088</u>	<u>2,174</u>
Beneficial Interest, December 31, 2020	<u>\$ 316,275</u>	<u>\$ 20,780</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS:

Quasi Endowment Fund	\$ 316,275
Other Endowment Fund	<u>20,780</u>
Total Beneficial interest in Innovia - see Note 5	<u>\$ 337,055</u>

NOTE 7 - LIQUIDITY AND AVAILABILITY:

The organization has \$441,179 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 \$408,190 and accounts receivable of \$32,989. 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.

See independent accountant's review report.