

L'ARCHE JACKSONVILLE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015

L'ARCHE JACKSONVILLE, INC.

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JAMES KNUTZEN & ASSOCIATES, C.P.A.'s, P.A.

5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@knutzencpa.com

James V. Knutzen, C.P.A., M.B.A., Emeritus
M. Todd Middlemas, C.P.A., M.B.A.
Margaret R. Dodson, C.P.A.
Barbara L. Towle, C.P.A.
Christina E. Gibson, C.P.A.
Michael J. Connelly, C.P.A.
Gregory A. Korn, C.P.A.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
L'Arche Jacksonville, Inc.
Jacksonville, Florida

Report on Financial Statements

We have audited the accompanying financial statements of L'Arche Jacksonville, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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 auditor's 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 financial statements referred to above present fairly, in all material respects, the financial position of L'Arche Jacksonville, Inc., as of June 30, 2016 and 2015, 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.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
October 20, 2016

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 1)	\$ 361,702	\$ 372,467
Prepaid expenses	1,055	16,194
Accounts receivable	443	685
Investments (Note 5)	312,123	352,505
Unconditional promises to give (Note 6)	<u>18,000</u>	<u>22,210</u>
Total Current Assets	<u>693,323</u>	<u>764,061</u>
Fixed assets, at cost less accumulated depreciation of \$910,346 and \$858,597 in 2016 and 2015 respectively (Note 1)	1,168,734	1,213,098
Unconditional promises to give (Note 6)	28,347	46,651
Other assets	<u>1,270</u>	<u>1,270</u>
Total Assets	<u>\$ 1,891,674</u>	<u>\$ 2,025,080</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 84,357	\$ 100,109
Unearned income	18,237	1,309
Note payable - current (Note 7)	<u>3,914</u>	<u>-</u>
Total Current Liabilities	<u>106,508</u>	<u>101,418</u>
Note payable - long term (Note 7)	<u>10,341</u>	<u>-</u>
Total Liabilities	<u>116,849</u>	<u>101,418</u>
<u>Net Assets:</u>		
Unrestricted - Designated (Note 2)	322,277	481,544
Unrestricted - Property	1,168,734	1,213,098
Temporarily Restricted (Note 3)	<u>283,814</u>	<u>229,020</u>
Total Net Assets	<u>1,774,825</u>	<u>1,923,662</u>
Total Liabilities and Net Assets	<u>\$ 1,891,674</u>	<u>\$ 2,025,080</u>

See Notes to Financial Statements.

**JAMES KNUTZEN & ASSOCIATES
C.P.A.'s, P.A.**

**L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF ACTIVITIES**

For The Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT						
Grants and Public Support:						
Government grants (Note 8)	\$ 13,500	\$ -	\$ 13,500	\$ 15,213	\$ -	\$ 15,213
Other grants	107,324	-	107,324	30,045	34,500	64,545
Contributions	245,770	55,913	301,683	242,344	349,569	591,913
Total Grants and Public Support	366,594	55,913	422,507	287,602	384,069	671,671
Revenue:						
Special events - (net of direct costs of \$26,752 and \$38,895 in 2016 and 2015 respectively)	61,843	-	61,843	40,542	-	40,542
Program service fees	883,063	-	883,063	851,850	-	851,850
Investment income	984	-	984	6,358	-	6,358
Gain (loss) on sale of capital assets	3,182	-	3,182	18,933	-	18,933
Other	11,146	-	11,146	6,493	-	6,493
Total Revenue	960,218	-	960,218	924,176	-	924,176
Total Public Support, Revenue and Other Support	1,326,812	55,913	1,382,725	1,211,778	384,069	1,595,847
Net Assets Released from Restrictions:						
Restrictions satisfied by payments	1,119	(1,119)	-	401,562	(401,562)	-
Total Public Support, Revenue and Other Support and Net Assets Released from Restrictions	1,327,931	54,794	1,382,725	1,613,340	(17,493)	1,595,847
Expenses:						
Program services	1,288,351	-	1,288,351	1,212,327	-	1,212,327
Supporting service expenses:						
Management and general	146,958	-	146,958	81,146	-	81,146
Fundraising	98,622	-	98,622	80,400	-	80,400
Total Expenses	1,533,931	-	1,533,931	1,373,873	-	1,373,873
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES)	(206,000)	54,794	(151,206)	239,467	(17,493)	221,974
NET APPRECIATION IN INVESTMENTS						
Unrealized gain (loss)	2,369	-	2,369	(8,415)	-	(8,415)
INCREASE (DECREASE) IN NET ASSETS	(203,631)	54,794	(148,837)	231,052	(17,493)	213,559
Net Assets, Beginning of Year	1,694,642	229,020	1,923,662	1,463,590	246,513	1,710,103
Net Assets, End of Year	\$ 1,491,011	\$ 283,814	\$ 1,774,825	\$ 1,694,642	\$ 229,020	\$ 1,923,662

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 599,404	\$ 82,132	\$ 55,894	\$ 737,430
Employee benefits	160,782	22,030	14,993	197,805
Payroll taxes	47,721	6,152	4,330	58,203
Automobile and travel	24,343	307	-	24,650
Direct services	106,550	-	-	106,550
Dues and licenses	25,696	-	-	25,696
Insurance	36,214	2,670	-	38,884
Food	31,441	-	-	31,441
Legal and professional	8,338	5,190	1,390	14,918
Maintenance and repairs	55,829	1,217	-	57,046
Conferences and retreats	7,545	2,685	-	10,230
Training and continuing education	11,061	-	-	11,061
Miscellaneous	13,305	3,205	4,156	20,666
Supplies	17,464	8,138	227	25,829
Recreation	7,223	43	-	7,266
Postage, printing and promotional	9,161	1,238	17,632	28,031
Telephone	10,325	3,465	-	13,790
Utilities	46,697	5,650	-	52,347
Rent	5,440	-	-	5,440
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation	1,224,539	144,122	98,622	1,467,283
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	63,812	2,836	-	66,648
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,288,351</u>	<u>\$ 146,958</u>	<u>\$ 98,622</u>	<u>\$ 1,533,931</u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and stipends	\$ 596,504	\$ 40,509	\$ 45,002	\$ 682,015
Employee benefits	156,683	10,411	11,566	178,660
Payroll taxes	50,333	3,350	3,722	57,405
Automobile and travel	22,601	447	-	23,048
Direct services	83,513	-	-	83,513
Dues and licenses	27,510	-	-	27,510
Insurance	36,278	2,705	-	38,983
Food	26,598	-	-	26,598
Fundraising	-	-	14,270	14,270
Legal and professional	5,360	4,500	1,091	10,951
Maintenance and repairs	29,665	245	-	29,910
Conferences and retreats	21,632	2,116	18	23,766
Miscellaneous	8,965	2,380	2,380	13,725
Supplies	16,072	6,697	535	23,304
Recreation	7,260	-	-	7,260
Postage and printing	5,709	1,815	1,816	9,340
Telephone	12,901	679	-	13,580
Utilities	44,413	2,338	-	46,751
Rent	4,200	-	-	4,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation	1,156,197	78,192	80,400	1,314,789
Depreciation	56,130	2,954	-	59,084
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,212,327</u>	<u>\$ 81,146</u>	<u>\$ 80,400</u>	<u>\$ 1,373,873</u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (148,837)	\$ 213,559
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	51,750	59,084
Decrease (increase) in prepaid expenses	15,139	(14,196)
Decrease in accounts receivable	242	10,392
Decrease in pledges receivable	22,514	34,134
Increase (decrease) in accounts payable	(15,752)	6,859
Increase in unearned income	<u>16,928</u>	<u>260</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(58,016)	310,092
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(24,496)	(375,943)
Disposals of fixed assets	17,110	-
Decrease in investments	<u>40,382</u>	<u>201,661</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	32,996	(174,282)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing	<u>14,255</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,255	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,765)	135,810
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>372,467</u>	<u>236,657</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 361,702</u></u>	<u><u>\$ 372,467</u></u>
Supplementary Disclosure of Cash Flow Information:		
Interest expense paid	<u>\$ 242</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization:

L'Arche Jacksonville, Inc. was incorporated on November 30, 1992 to operate as "L'Arche Harbor House". In 2015 the name was changed to L'Arche Jacksonville, Inc. to reflect its alignment with the national L'Arche community. L'Arche Jacksonville, Inc. is engaged in providing housing and services for disabled persons. Its major sources of revenue are program service fees and contributions.

Income Taxes:

L'Arche Jacksonville is exempt from federal taxation under Internal Revenue Code Section 501(c)(3). The Organization is not a private foundation. Management evaluated the Organization's tax positions and concluded that the Organization had maintained its exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2014, 2013 and 2012, are subject to examination by the IRS, generally for 3 years after they were filed.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

In accordance with FASB ASC 958, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Expense Allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Restricted and Unrestricted Revenue and Support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Fixed Assets and Depreciation:

Fixed assets are depreciated using the straight-line method over the estimated useful lives (ranging from 5 to 40 years) of the assets. Fixed asset additions of \$500 and greater are capitalized.

Fixed assets consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ -0-	\$ -0-
Buildings	1,295,999	1,293,380
Construction in progress	2,500	4,000
Leasehold improvements	567,674	567,674
Furniture and equipment	88,649	87,434
Transportation equipment	<u>124,258</u>	<u>119,207</u>
	2,079,080	2,071,695
Less: Accumulated depreciation	<u>910,346</u>	<u>858,597</u>
	<u>\$ 1,168,734</u>	<u>\$ 1,213,098</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Leasehold improvements consist of buildings and improvements located on property owned by the Catholic Diocese of St. Augustine. The land is rent free from the Diocese through 2025.

Use of Estimates:

Preparation of the Organization's financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the collectability of receivables, market value of investments, and depreciable lives of fixed assets. The nature of those estimates however, is such that variances in actual results are generally immaterial.

Cash and Cash Equivalents:

Cash and cash equivalents include funds on hand, checking accounts, savings accounts, and money market funds, if not otherwise held for long-term purposes.

Fair Values of Financial Instruments

Generally accepted accounting principles require certain financial instruments to be recorded at fair value. Changes in methods of estimation could affect the fair value estimates; however, such changes are not expected to have a material impact on the organization's financial position, activities or cash flows. Cost approximates fair value for certain other investments, short term debt, and cash equivalents.

2. DESIGNATED NET ASSETS:

The Board of Directors of L'Arche Jacksonville has designated that up to three years of expenses be reserved for future operations as funds permit. The amount available at June 30, 2016, represents less than one year.

3. TEMPORARILY RESTRICTED NET ASSETS:

As of June 30, 2016 and 2015 there were restricted capital campaign contributions and grant funds of \$283,814 and \$229,020, respectively.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

4. RETIREMENT PLAN:

The Organization sponsors a defined contribution pension plan that covers all employees with over three years' employment. Contributions to the plan are based on 5% of each eligible employee's salary. The amount of pension expense was \$18,995 and \$24,208 for 2016 and 2015, respectively.

5. INVESTMENTS:

The Organization has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 – Values are based on quoted prices for identical assets in an active market.

Level 2 – Values are based on quoted prices for similar assets in active or inactive markets.

Level 3 – Values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Organization's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the Organization's own data.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis as of June 30, 2016 and 2015.

Registered investment companies (Mutual Funds): Valued at the net asset value (NAV) of shares held by the Organization at year-end.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

5. INVESTMENTS (continued):

Fair values of assets measured on a recurring basis at June 30, 2016, are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Money Market Funds	\$ 23,581	\$ 23,796
Equity Securities	58,491	59,284
Mutual Funds	<u>230,051</u>	<u>230,051</u>
Total	<u>\$ 312,123</u>	<u>\$ 352,505</u>

Fair values of assets measured on a recurring basis at June 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Money Market Funds	\$ 8,385	\$ 8,385
Equity Securities	104,346	104,346
Mutual Funds	<u>239,774</u>	<u>239,774</u>
Total	<u>\$ 352,505</u>	<u>\$ 352,505</u>

The Organization held no assets valued at Level 2 or Level 3 inputs at June 30, 2016 or 2015.

Investments in marketable securities are stated at market value. Realized and unrealized gains and losses are recognized in the Statement of Activities.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

7. INVESTMENTS (continued):

Investments are reported at market value at June 30, 2016 and 2015 and are comprised of the following:

Year ending June 30, 2016:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market Funds	\$ 23,581	\$ 23,581	\$ -0-
Equity Securities	56,771	58,491	1,720
Mutual Funds	<u>224,541</u>	<u>230,051</u>	<u>5,510</u>
	<u>\$ 304,893</u>	<u>\$ 312,123</u>	<u>\$ 7,230</u>

Year ending June 30, 2015:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Markets	\$ 8,385	\$ 8,385	\$ -0-
Fixed Income	99,420	104,346	4,926
Equity Securities	<u>239,049</u>	<u>239,774</u>	<u>725</u>
	<u>\$ 346,854</u>	<u>\$ 352,505</u>	<u>\$ 5,651</u>

Investment income is summarized as follows:

	<u>2016</u>	<u>2015</u>
Dividend income	\$ 9,099	\$ 9,400
Interest income	437	558
Realized gains (losses)	(4,368)	1,182
Investment management fees	<u>(4,184)</u>	<u>(4,782)</u>
Net investment income	<u>\$ 984</u>	<u>\$ 6,358</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

6. UNCONDITIONAL PROMISES TO GIVE:

During the fiscal year ending June 30, 2013 the organization launched a capital campaign to fund the construction and furnishing of the new Rainbow Center. The unconditional promises to give at June 30, 2016 are as follows:

Capital campaign	<u>\$ 49,000</u>
Receivables in less than one year	18,000
Receivables in one to five years	<u>31,000</u>
	49,000
Less discounts to net present value	<u>(2,653)</u>
Net unconditional promises to give	<u>\$ 46,347</u>

Unconditional promises to give that extend for longer than one year are discounted at 3%. There is no allowance for doubtful accounts as management believes all pledges to be completely collectible.

7. NOTE PAYABLE:

During 2016 the organization purchased a new van and financed it over 48 months at 3.15% interest. The future principal payments due are as follows for the years ending June 30:

2017	\$ 3,914
2018	4,039
2019	4,168
2020	<u>2,134</u>
Total	<u>\$14,255</u>

8. GOVERNMENT GRANTS:

L'Arche Jacksonville received a CDBG grant in the amount of \$13,500 from the City of Jacksonville, under the Federal Assistance (CFDA) number 14.218 with a Federal Grant Coding number of B-15-UC-12-0017.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

-continued-

9. SUBSEQUENT EVENTS:

In preparing these financial statements, L'Arche Jacksonville, Inc. evaluated events and transactions for potential recognition or disclosure through October 20, 2016, the date the financial statements were available to be issued.