

L'ARCHE HARBOR HOUSE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

L'ARCHE HARBOR HOUSE, INC.

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-13

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of L'Arche Harbor House, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, 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 Harbor House, Inc., as of June 30, 2014 and 2013, 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, C.P.A.'s, P.A.

Jacksonville, Florida

October 24, 2015

L'ARCHE HARBOR HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 1)	\$ 372,467	\$ 236,657
Prepaid expenses	16,194	1,998
Accounts receivable	685	11,077
Investments (Note 6)	352,505	554,166
Unconditional promises to give (Note 7)	<u>22,210</u>	<u>57,500</u>
Total Current Assets	<u>764,061</u>	<u>861,398</u>
Fixed assets, at cost less accumulated depreciation of \$858,597 and \$846,604 in 2015 and 2014 respectively (Note 1)	1,213,098	896,239
Unconditional promises to give (Note 7)	46,651	45,495
Other assets	<u>1,270</u>	<u>1,270</u>
Total Assets	<u>\$ 2,025,080</u>	<u>\$ 1,804,402</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 100,109	\$ 93,250
Unearned income	<u>1,309</u>	<u>1,049</u>
Total Liabilities	<u>101,418</u>	<u>94,299</u>
<u>Net Assets:</u>		
Unrestricted - Designated (Note 2)	481,544	567,351
Unrestricted - Property	1,213,098	896,239
Temporarily Restricted (Note 3)	<u>229,020</u>	<u>246,513</u>
Total Net Assets	<u>1,923,662</u>	<u>1,710,103</u>
Total Liabilities and Net Assets	<u>\$ 2,025,080</u>	<u>\$ 1,804,402</u>

See Notes to Financial Statements.

L'ARCHE HARBOR HOUSE, INC.
STATEMENTS OF ACTIVITIES

For The Years Ended June 30, 2015 and 2014

PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grants and Public Support:						
Government grants	\$ 15,213	\$ -	\$ 15,213	\$ 43,687	\$ -	\$ 43,687
Other grants	30,045	34,500	64,545	70,920	40,000	110,920
Contributions	242,344	349,569	591,913	165,416	646,828	812,244
Total Grants and Public Support	287,602	384,069	671,671	280,023	686,828	966,851
Revenue:						
Special events - (net of direct costs of \$38,895 and \$25,130 in 2015 and 2014 respectively)	40,542	-	40,542	36,525	-	36,525
Program service fees	851,850	-	851,850	846,416	-	846,416
Investment income	6,358	-	6,358	8,096	-	8,096
Gain on sale of capital assets	18,933	-	18,933			
Other	6,493	-	6,493	4,177	-	4,177
Total Revenue	924,176	-	924,176	895,214	-	895,214
Total Public Support, Revenue and Other Support	1,211,778	384,069	1,595,847	1,175,237	686,828	1,862,065
Net Assets Released from Restrictions:						
Restrictions satisfied by payments	401,562	(401,562)	-	466,815	(466,815)	-
Total Public Support, Revenue and Other Support and Net Assets Released from Restrictions	1,613,340	(17,493)	1,595,847	1,642,052	220,013	1,862,065
Expenses:						
Program services	1,212,327	-	1,212,327	1,160,660	-	1,160,660
Supporting service expenses:						
Management and general	81,146	-	81,146	67,936	-	67,936
Fundraising	80,400	-	80,400	64,754	-	64,754
Total Expenses	1,373,873	-	1,373,873	1,293,350	-	1,293,350
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES)	239,467	(17,493)	221,974	348,702	220,013	568,715
NET APPRECIATION IN INVESTMENTS						
Unrealized gain	(8,415)	-	(8,415)	37,367	-	37,367
INCREASE (DECREASE) IN NET ASSETS	231,052	(17,493)	213,559	386,069	220,013	606,082
Net Assets, Beginning of Year	1,463,590	246,513	1,710,103	1,077,521	26,500	1,104,021
Net Assets, End of Year	\$ 1,694,642	\$ 229,020	\$ 1,923,662	\$ 1,463,590	\$ 246,513	\$ 1,710,103

See Notes to Financial Statements

L'ARCHE HARBOR HOUSE, 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 HARBOR HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2014

	Program <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 581,216	\$ 38,775	\$ 40,745	\$ 660,736
Employee benefits	152,386	8,758	14,012	175,156
Payroll taxes	41,987	2,413	3,861	48,261
Automobile and travel	31,832	310	31	32,173
Direct services	88,226	-	-	88,226
Dues and licenses	27,983	-	-	27,983
Insurance	42,445	-	-	42,445
Food	29,747	-	-	29,747
Legal and professional	9,408	4,500	-	13,908
Maintenance and repairs	19,177	1,301	-	20,478
Conferences and retreats	5,105	-	-	5,105
Miscellaneous	13,028	1,094	-	14,122
Supplies	13,811	4,604	4,604	23,019
Recreation	8,953	-	-	8,953
Postage and printing	4,504	1,501	1,501	7,506
Telephone	12,861	677	-	13,538
Utilities	32,559	1,839	-	34,398
Rent	4,312	-	-	4,312
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation	1,119,540	65,772	64,754	1,250,066
Depreciation	41,120	2,164	-	43,284
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,160,660</u>	<u>\$ 67,936</u>	<u>\$ 64,754</u>	<u>\$ 1,293,350</u>

See Notes to Financial Statements.

L'ARCHE HARBOR HOUSE, INC.
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 213,559	\$ 606,082
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	59,084	43,284
Decrease (increase) in prepaid expenses	(14,196)	462
Decrease (increase) in accounts receivable	10,392	(11,077)
Decrease (increase) in pledges receivable	34,134	(102,995)
Increase in accounts payable	6,859	67,298
Increase in unearned income	260	1,049
	310,092	604,103
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(375,943)	(426,815)
Decrease (increase) in investments	201,661	(144,941)
	(174,282)	(571,756)
NET CASH USED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	135,810	32,347
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	236,657	204,310
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 372,467	\$ 236,657

See Notes to Financial Statements.

L'ARCHE HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization:

L'Arche Harbor House, Inc. was incorporated on November 30, 1992 to operate as "Harbor House". Harbor House is engaged in providing housing and services for disabled persons. Its major sources of revenue are program service fees and contributions.

Income Taxes:

Harbor House 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 2014, 2013, 2012 and 2011, 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 HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

-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>2015</u>	<u>2014</u>
Land	\$ -0-	\$ 9,000
Buildings	1,293,380	480,690
Construction in progress	4,000	490,583
Leasehold improvements	567,674	577,810
Furniture and equipment	87,434	75,944
Transportation equipment	<u>119,207</u>	<u>108,816</u>
	2,071,695	1,742,843
Less: Accumulated depreciation	<u>858,597</u>	<u>846,604</u>
	<u>\$ 1,213,098</u>	<u>\$ 896,239</u>

L'ARCHE HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

-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.

2. DESIGNATED NET ASSETS:

The Board of Directors of Harbor House has designated that up to three years of expenses be reserved for future operations as funds permit. The amount available at June 30, 2014, represents less than one year.

3. TEMPORARILY RESTRICTED NET ASSETS:

As of June 30, 2015 and 2014 there were restricted capital campaign contributions and grant funds of \$229,020 and \$246,513, respectively.

4. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION:

Cash disbursed for interest was \$-0- during the years ended June 30, 2015 and 2014. No cash was disbursed for income taxes as the Organization is exempt under Internal Revenue Code Section 501(c)(3).

L'ARCHE HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

-continued-

5. 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 \$24,208 and \$19,719 for 2015 and 2014, respectively.

6. 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, 2015 and 2014.

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

L'ARCHE HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

-continued-

6. INVESTMENTS (continued):

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>

Fair values of assets measured on a recurring basis at June 30, 2014, are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Money Market Funds	\$ 14,753	\$ 14,753
Equity Securities	221,475	221,475
Mutual Funds	<u>317,938</u>	<u>317,938</u>
Total	<u>\$ 554,166</u>	<u>\$ 554,166</u>

The Organization held no assets valued at Level 2 or Level 3 inputs at June 30, 2015 or 2014.

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

L'ARCHE HARBOR HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

-continued-

7. 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, 2015 are as follows:

Capital campaign	<u>\$ 71,480</u>
Receivables in less than one year	22,210
Receivables in one to five years	<u>49,270</u>
	71,480
Less discounts to net present value	<u>(2,619)</u>
Net unconditional promises to give	<u>\$ 68,861</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.

8. SUBSEQUENT EVENTS:

In preparing these financial statements, L'Arche Harbor House, Inc. evaluated events and transactions for potential recognition or disclosure through October 24 2015, the date the financial statements were available to be issued.