

L'ARCHE JACKSONVILLE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

L'ARCHE JACKSONVILLE, INC.

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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, 2017 and 2016, 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, 2017 and 2016, 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
September 11, 2017

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 281,096	\$ 385,283
Investments (Note 6)	251,206	288,542
Accounts receivable	1,654	443
Prepaid expenses	-	1,055
Unconditional promises to give (Note 7)	<u>17,500</u>	<u>18,000</u>
Total Current Assets	<u>551,456</u>	<u>693,323</u>
Fixed assets, at cost less accumulated depreciation of \$974,829 and \$910,346 in 2017 and 2016, respectively (Note 2)	1,136,104	1,168,734
Unconditional promises to give (Note 7)	8,916	28,347
Other assets	<u>1,270</u>	<u>1,270</u>
Total Assets	<u>\$ 1,697,746</u>	<u>\$ 1,891,674</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 58,710	\$ 84,357
Unearned income	19,182	18,237
Note payable - current (Note 8)	<u>4,039</u>	<u>3,914</u>
Total Current Liabilities	<u>81,931</u>	<u>106,508</u>
Note payable - long term (Note 8)	<u>6,295</u>	<u>10,341</u>
Total Liabilities	<u>88,226</u>	<u>116,849</u>
<u>Net Assets:</u>		
Unrestricted - Designated (Note 3)	231,713	322,277
Unrestricted - Property	1,136,104	1,168,734
Temporarily Restricted (Note 4)	<u>241,703</u>	<u>283,814</u>
Total Net Assets	<u>1,609,520</u>	<u>1,774,825</u>
Total Liabilities and Net Assets	<u>\$ 1,697,746</u>	<u>\$ 1,891,674</u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF ACTIVITIES

For The Years Ended June 30, 2017 and 2016

PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grants and Public Support:						
Government grants (Note 9)	\$ -	\$ -	\$ -	\$ 13,500	\$ -	\$ 13,500
Other grants	80,133	-	80,133	107,324	-	107,324
Contributions	189,524	33,310	222,834	245,770	55,913	301,683
Total Grants and Public Support	269,657	33,310	302,967	366,594	55,913	422,507
Revenue:						
Special events - (net of direct costs of \$19,112 and \$26,752 in 2017 and 2016, respectively)	59,725	-	59,725	61,843	-	61,843
Program service fees	977,114	-	977,114	883,063	-	883,063
Investment income	3,661	-	3,661	984	-	984
Gain (loss) on sale of capital assets	5,987	-	5,987	3,182	-	3,182
Other	11,368	-	11,368	11,146	-	11,146
Total Revenue	1,057,855	-	1,057,855	960,218	-	960,218
Total Public Support, Revenue and Other Support	1,327,512	33,310	1,360,822	1,326,812	55,913	1,382,725
Net Assets Released from Restrictions:						
Restrictions satisfied by payments	75,421	(75,421)	-	1,119	(1,119)	-
Total Public Support, Revenue and Other Support and Net Assets Released from Restrictions	1,402,933	(42,111)	1,360,822	1,327,931	54,794	1,382,725
Expenses:						
Program services	1,288,760	-	1,288,760	1,288,351	-	1,288,351
Supporting service expenses:						
Management and general	125,281	-	125,281	146,958	-	146,958
Fundraising	112,123	-	112,123	98,622	-	98,622
Total Expenses	1,526,164	-	1,526,164	1,533,931	-	1,533,931
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES)	(123,231)	(42,111)	(165,342)	(206,000)	54,794	(151,206)
NET APPRECIATION IN INVESTMENTS						
Unrealized gain (loss)	37	-	37	2,369	-	2,369
INCREASE (DECREASE) IN NET ASSETS	(123,194)	(42,111)	(165,305)	(203,631)	54,794	(148,837)
Net Assets, Beginning of Year	1,491,011	283,814	1,774,825	1,694,642	229,020	1,923,662
Net Assets, End of Year	\$ 1,367,817	\$ 241,703	\$ 1,609,520	\$ 1,491,011	\$ 283,814	\$ 1,774,825

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2017

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 642,053	\$ 67,298	\$ 65,728	\$ 775,079
Employee benefits	167,773	19,406	17,176	204,355
Payroll taxes	48,251	4,910	5,016	58,177
Automobile and travel	19,620	-	-	19,620
Direct services	85,906	-	-	85,906
Dues and licenses	24,702	-	-	24,702
Insurance	44,458	2,670	-	47,128
Food	26,641	-	-	26,641
Legal and professional	6,824	4,750	7,040	18,614
Maintenance and repairs	38,733	-	-	38,733
Conferences and retreats	16,400	-	-	16,400
Training and continuing education	5,113	-	-	5,113
Miscellaneous	11,344	4,261	15,967	31,572
Supplies	17,246	6,412	496	24,154
Recreation	7,120	-	-	7,120
Postage, printing and promotional	7,329	1,925	700	9,954
Telephone	10,003	3,335	-	13,338
Utilities	47,086	7,090	-	54,176
Rent	900	-	-	900
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Total before depreciation	1,227,502	122,057	112,123	1,461,682
Depreciation	61,258	3,224	-	64,482
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Total	<u>\$ 1,288,760</u>	<u>\$ 125,281</u>	<u>\$ 112,123</u>	<u>\$ 1,526,164</u>

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	5,190.00	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	13,308	3,205	4,156	20,669
Supplies	17,464	8,138	227	25,829
Recreation	7,223	43.00	-	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
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Total before depreciation	1,224,542	144,122	98,622	1,467,286
Depreciation	63,812	2,836	-	66,648
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Total	<u>\$ 1,288,354</u>	<u>\$ 146,958</u>	<u>\$ 98,622</u>	<u>\$ 1,533,934</u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (165,305)	\$ (148,837)
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	64,482	51,750
Decrease in prepaid expenses	1,055	15,139
(Increase) decrease in accounts receivable	(1,211)	242
Decrease in pledges receivable	19,931	22,514
Decrease in accounts payable	(25,647)	(15,752)
Increase in unearned income	945	16,928
NET CASH USED BY OPERATING ACTIVITIES	(105,750)	(58,016)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(31,852)	(24,496)
Disposals of fixed assets	-	17,110
Decrease in investments	37,336	63,963
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,484	56,577
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in notes payable	(3,921)	14,255
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(3,921)	14,255
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(104,187)	12,816
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	385,283	372,467
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 281,096	\$ 385,283
Supplementary Disclosure of Cash Flow Information:		
Interest expense paid	\$ 385	\$ 242
Income taxes paid	\$ -	\$ -

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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*, are subject to examination by the IRS, generally for 3 years after they were filed.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

-continued-

2. 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>2017</u>	<u>2016</u>
Land	\$ -0-	\$ -0-
Buildings	1,295,999	1,295,999
Construction in progress	850	2,500
Leasehold improvements	601,177	567,674
Furniture and equipment	88,649	88,649
Transportation equipment	<u>124,258</u>	<u>124,258</u>
	2,110,933	2,071,695
Less: Accumulated depreciation	<u>974,829</u>	<u>910,346</u>
	<u>\$ 1,136,104</u>	<u>\$ 1,168,734</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

-continued-

2. 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.

3. 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, 2017, represents less than one year.

4. TEMPORARILY RESTRICTED NET ASSETS:

As of June 30, 2017 and 2016, there were restricted capital campaign contributions of \$241,703 and \$283,814, respectively.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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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 \$17,163 and \$18,995 for 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016

-continued-

6. INVESTMENTS (continued):

Fair values of assets measured on a recurring basis at June 30, 2017, are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Equity Securities	\$ 50,298	\$ 50,298
Mutual Funds	<u>200,908</u>	<u>200,908</u>
Total	<u>\$ 251,206</u>	<u>\$ 251,206</u>

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>
Equity Securities	\$ 58,491	\$ 58,491
Mutual Funds	<u>230,051</u>	<u>230,051</u>
Total	<u>\$ 288,542</u>	<u>\$ 288,542</u>

The Organization held no assets valued at Level 2 or Level 3 inputs at June 30, 2017 or 2016.

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, 2017 and 2016

-continued-

6. INVESTMENTS (continued):

Investments are reported at market value at June 30, 2017 and 2016 and are comprised of the following:

Year ending June 30, 2017:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity Securities	\$ 44,606	\$ 50,298	\$ 5,692
Mutual Funds	<u>198,711</u>	<u>200,908</u>	<u>2,197</u>
	<u>\$ 243,317</u>	<u>\$ 251,206</u>	<u>\$ 7,889</u>

Year ending June 30, 2016:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity Securities	\$ 56,771	\$ 58,491	\$ 1,720
Mutual Funds	<u>224,541</u>	<u>230,051</u>	<u>5,510</u>
	<u>\$ 281,312</u>	<u>\$ 288,542</u>	<u>\$ 7,230</u>

Investment income is summarized as follows:

	<u>2017</u>	<u>2016</u>
Dividend income	\$ 7,054	\$ 9,099
Interest income	402	437
Realized gains (losses)	5,987	(4,368)
Investment management fees	<u>(3,795)</u>	<u>(4,184)</u>
Net investment income	<u>\$ 9,648</u>	<u>\$ 984</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

-continued-

10. SUBSEQUENT EVENTS:

In preparing these financial statements, L'Arche Jacksonville, Inc. evaluated events and transactions for potential recognition or disclosure through September 11, 2017, the date the financial statements were available to be issued.