

L'ARCHE JACKSONVILLE, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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
November 7, 2018

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents (Note 2)	\$ 456,246	\$ 281,096
Investments (Note 6)	169,769	251,206
Accounts receivable	6,424	1,654
Unconditional promises to give (Note 7)	-	17,500
	632,439	551,456
Fixed assets, at cost less accumulated depreciation of \$1,037,278 and \$974,829 in 2018 and 2017, respectively (Note 2)	1,116,250	1,136,104
Unconditional promises to give (Note 7)	-	8,916
Other assets	1,270	1,270
	1,749,959	1,697,746
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 79,627	\$ 58,710
Unearned income	10,000	19,182
Note payable - current (Note 8)	-	4,039
	89,627	81,931
Note payable - long term (Note 8)	-	6,295
	89,627	88,226
<u>Net Assets:</u>		
Unrestricted - Designated (Note 3)	328,529	231,713
Unrestricted - Property	1,116,250	1,136,104
Temporarily Restricted (Note 4)	215,553	241,703
	1,660,332	1,609,520
Total Liabilities and Net Assets	\$ 1,749,959	\$ 1,697,746

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENTS OF ACTIVITIES

For The Years Ended June 30, 2018 and 2017

PUBLIC SUPPORT, REVENUE AND OTHER SUPPORT	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Grants and Public Support:						
Grants	\$ 92,340	\$ 34,000	\$ 126,340	\$ 80,133	\$ -	\$ 80,133
Contributions	322,054	30,902	352,956	189,524	33,310	222,834
In-kind contributions, food (Note 10)	41,130	-	41,130	-	-	-
Total Grants and Public Support	455,524	64,902	520,426	269,657	33,310	302,967
Revenue:						
Special events - (net of direct costs of \$21,426 and \$19,112 in 2018 and 2017, respectively)	50,595	-	50,595	59,725	-	59,725
Program service fees	1,018,444	-	1,018,444	977,114	-	977,114
Investment income	3,621	266	3,887	3,661	-	3,661
Gain (loss) on sale of capital assets	3,925	-	3,925	5,987	-	5,987
Other	14,616	-	14,616	11,368	-	11,368
Total Revenue	1,091,201	266	1,091,467	1,057,855	-	1,057,855
Total Public Support, Revenue and Other Support	1,546,725	65,168	1,611,893	1,327,512	33,310	1,360,822
Net Assets Released from Restrictions:						
Restrictions satisfied by payments	91,318	(91,318)	-	75,421	(75,421)	-
Total Public Support, Revenue and Other Support and Net Assets Released from Restrictions	1,638,043	(26,150)	1,611,893	1,402,933	(42,111)	1,360,822
Expenses:						
Program services	1,386,801	-	1,386,801	1,288,760	-	1,288,760
Supporting service expenses:						
Management and general	62,383	-	62,383	125,281	-	125,281
Fundraising	106,494	-	106,494	112,123	-	112,123
Total Expenses	1,555,678	-	1,555,678	1,526,164	-	1,526,164
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES)	82,365	(26,150)	56,215	(123,231)	(42,111)	(165,342)
NET APPRECIATION IN INVESTMENTS						
Unrealized gain (loss)	(5,403)	-	(5,403)	37	-	37
INCREASE (DECREASE) IN NET ASSETS	76,962	(26,150)	50,812	(123,194)	(42,111)	(165,305)
Net Assets, Beginning of Year	1,367,817	241,703	1,609,520	1,491,011	283,814	1,774,825
Net Assets, End of Year	\$ 1,444,779	\$ 215,553	\$ 1,660,332	\$ 1,367,817	\$ 241,703	\$ 1,609,520

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 673,496	\$ 24,459	\$ 45,316	\$ 743,271
Employee benefits	166,073	15,618	7,226	188,917
Payroll taxes	50,671	1,786	3,424	55,881
Automobile and travel	17,253	-	-	17,253
Direct services	94,764	-	-	94,764
Dues and licenses	32,424	-	-	32,424
Insurance	49,800	3,042	-	52,842
Food	35,798	-	-	35,798
Food, in-kind (Note 10)	41,130	-	-	41,130
Legal and professional	7,559	8,579	29,185	45,323
Maintenance and repairs	27,541	-	-	27,541
Conferences and retreats	19,187	-	-	19,187
Training and continuing education	5,126	-	-	5,126
Miscellaneous	10,333	1,622	5,990	17,945
Supplies	19,136	4,154	1,133	24,423
Recreation	7,598	-	-	7,598
Postage, printing and promotional	4,399	-	1,927	6,326
Telephone	13,523	-	-	13,523
Utilities	51,663	-	-	51,663
Fundraising expenses	-	-	12,293	12,293
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation	1,327,474	59,260	106,494	1,493,228
Depreciation	59,327	3,123	-	62,450
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Total	<u>\$ 1,386,801</u>	<u>\$ 62,383</u>	<u>\$ 106,494</u>	<u>\$ 1,555,678</u>

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation	1,227,502	122,057	112,123	1,461,682
Depreciation	61,258	3,224	-	64,482
	<hr/>	<hr/>	<hr/>	<hr/>
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.
STATEMENTS OF CASH FLOWS

For The Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,812	\$(165,305)
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	62,450	64,482
Decrease in prepaid expenses	-	1,055
(Increase) decrease in accounts receivable	(4,770)	(1,211)
Decrease in pledges receivable	26,416	19,931
Decrease in accounts payable	20,917	(25,647)
Increase in unearned income	<u>(9,182)</u>	<u>945</u>
NET CASH USED BY OPERATING ACTIVITIES	146,643	(105,750)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed assets	(42,596)	(31,852)
Disposals of fixed assets	-	-
Decrease in investments	<u>81,437</u>	<u>37,336</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	38,841	5,484
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in notes payable	<u>(10,334)</u>	<u>(3,921)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(10,334)	(3,921)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	175,150	(104,187)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>281,096</u>	<u>385,283</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 456,246</u></u>	<u><u>\$ 281,096</u></u>
Supplementary Disclosure of Cash Flow Information:		
Interest expense paid	<u><u>\$ 201</u></u>	<u><u>\$ 385</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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, 2018 and 2017

-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>2018</u>	<u>2017</u>
Land	\$ -0-	\$ -0-
Buildings	1,295,999	1,295,999
Construction in progress	850	850
Leasehold improvements	642,746	601,177
Furniture and equipment	89,675	88,649
Transportation equipment	<u>124,258</u>	<u>124,258</u>
	2,153,528	2,110,933
Less: Accumulated depreciation	<u>1,037,278</u>	<u>974,829</u>
	<u>\$ 1,116,250</u>	<u>\$ 1,136,104</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

-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, 2018, represents less than one year.

4. TEMPORARILY RESTRICTED NET ASSETS:

As of June 30, 2018 and 2017, there were restricted capital campaign contributions of \$215,553 and \$241,703, respectively.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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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 \$18,062 and \$17,163 for 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017

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6. INVESTMENTS (continued):

Fair values of assets measured on a recurring basis at June 30, 2018, are as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Equity Securities	\$ 33,705	\$ 33,705
Mutual Funds	<u>136,064</u>	<u>136,064</u>
Total	<u>\$ 169,769</u>	<u>\$ 169,769</u>

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>

The Organization held no assets valued at Level 2 or Level 3 inputs at June 30, 2018 or 2017.

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, 2018 and 2017

-continued-

6. INVESTMENTS (continued):

Investments are reported at market value at June 30, 2018 and 2017 and are comprised of the following:

Year ending June 30, 2018:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equity Securities	\$ 27,670	\$ 33,705	\$ 6,035
Mutual Funds	<u>139,650</u>	<u>136,064</u>	<u>(3,586)</u>
	<u>\$ 167,320</u>	<u>\$ 169,769</u>	<u>\$ 2,449</u>

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>

Investment income is summarized as follows:

	<u>2018</u>	<u>2017</u>
Dividend income	\$ 5,252	\$ 7,054
Interest income	1,239	402
Realized gains (losses)	3,925	5,987
Investment management fees	<u>(2,604)</u>	<u>(3,795)</u>
Net investment income	<u>\$ 7,812</u>	<u>\$ 9,648</u>

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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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. During the current fiscal year the remaining pledge of \$25,000 was written off as there had been no activity or payments against this pledge in several years. The donor, however, does continue to support other fundraising activities of the organization.

8. NOTE PAYABLE:

During 2017 the organization paid off the loan that had been taken out for the purchase of a van.

9. GOVERNMENT GRANTS:

L'Arche Jacksonville received a Community Development Block Grant (CDBG) in the amount of \$13,500 from the City of Jacksonville in fiscal year 2016 to pay for the salary and related expenses for one fulltime workshop assistant, under the Catalog of Federal Domestic Assistance (CFDA) number 14.218 with a Federal Grant Coding number of B-15-UC-12-0017. The grant was not renewed in fiscal year 2017.

10. CONTRIBUTIONS IN-KIND:

During the current fiscal year L'Arche Jacksonville received in-kind donations of goods and services from many individuals and organizations. Values for these donations were not readily available.

However, L'Arche received approximately 24,800 pounds of free food from Feeding Northeast Florida, which was valued by them at \$41,130. Comparable values for donated food for the prior fiscal year was not provided by Feeding Northeast Florida.

In-kind donations are measured at their fair value. The Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 820 provides a single definition of fair value and established a three-tier hierarchy which is described below.

L'ARCHE JACKSONVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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10. CONTRIBUTIONS IN-KIND (continued):

Level 1 – In-kind donations for which there are readily available prices in active markets for identical items.

Level 2 – In-kind donations for which there is publicly available information about similar items in inactive markets, such as auction websites.

Level 3 – In-kind donations for which little publicly available information is available, and unobservable inputs may be used to measure fair value.

The in-kind contributions valued above are considered Level 3.

11. SUBSEQUENT EVENTS:

In preparing these financial statements, L'Arche Jacksonville, Inc. evaluated events and transactions for potential recognition or disclosure through November 7, 2017, the date the financial statements were available to be issued. . No material subsequent events have occurred since June 30, 2018 that would require recognition or disclosure in the financial statements.