

L'Arche Wavecrest

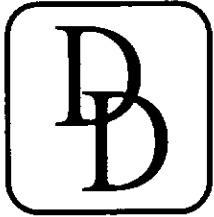
Financial Statements

For the Year Ended December 31, 2017

L'Arche Wavecrest

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For the Year Ended December 31, 2017

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DAVIS & DEAL
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
L'Arche Wavecrest
Orange, California

We have reviewed the accompanying financial statements of L'Arche Wavecrest (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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 statements 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 reviews, 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.

Supplementary Information

The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information, and based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Glendora, California
March 1, 2018

L'Arche Wavecrest
STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Current Assets:

Cash and cash equivalents (Note 2)	\$ 250,287	
Receivables and prepaid expenses	1,543	
TOTAL CURRENT ASSETS		251,830

Property and Equipment: (Notes 2, 3, 5)

Cost	1,033,507	
Accumulated depreciation	(141,289)	
		892,218

Other Assets:

Loan costs, net of amortization of \$678 (Note 2)	1,864	
TOTAL ASSETS		\$ 1,145,912

LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of notes payable (Note 4)	\$ 11,577	
Accrued expenses	9,828	
TOTAL CURRENT LIABILITIES		21,405

Long-term Liabilities

Notes payable less current portion (Note 4)	433,790	
TOTAL LIABILITIES		455,195

Net Assets:

Unrestricted	690,717	
		690,717
TOTAL LIABILITIES AND NET ASSETS		\$ 1,145,912

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest
STATEMENT OF ACTIVITY

For the Year Ended December 31, 2017

	<u>Unrestricted</u>
<u>Revenue, Gains and Support:</u> (Note 2)	
Donations-Unrestricted	\$ 107,057
Community grants	6,000
Foundations and corporations	17,000
Fundraising events	41,076
Government agency	156,110
In-kind donations	23,039
Interest income	96
Reimbursed expenses	4,361
Total Revenues, Gains and Support	<u>354,739</u>
 <u>Expenses:</u>	
Program services	<u>263,579</u>
 <u>Supporting Services:</u>	
General and administrative expenses	48,556
Fundraising expenses	59,332
	<u>107,890</u>
Total Expenses	<u>371,468</u>
Decrease in net assets	<u>\$ (16,729)</u>

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L'Arche Wavecrest
STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended December 31, 2017

	<u>Unrestricted</u>
Balance - December 31, 2016	\$ 707,446
Change in net assets	<u>(16,729)</u>
Balance - December 31, 2017	<u>\$ 690,717</u>

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L'Arche Wavecrest
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

Cash Flow From Operating Activities:

Unrestricted contributions	\$ 107,057
Government agency income	156,110
Community grants, foundations and corporations	64,076
In-Kind revenue	23,039
Other income	4,361
Interest income	96
Payment of compensation	(184,045)
Payment of interest	(21,726)
Payment of other program service expenses	(97,913)
Payment of other support service expenses	(42,921)
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Net cash inflow from operating activities	8,134

Cash Flow From Investing Activities:

Capital expenditures net	-
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Net cash outflow from investing activities	-
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Cash Flow From Financing Activities:

Principal payments on bank loan	(10,756)
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Net cash outflow from financing activities	(10,756)
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Net decrease in cash	(2,622)
Cash balance - beginning of year	252,909
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Cash balance - end of year	\$ 250,287
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Reconciliation of cash flow from operations
to change in net assets - see Note 6

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

Note 1 – Nature of the Organization:

L'Arche Wavecrest was incorporated June 4, 1999. The specific purpose of the organization is to create homes where people with disabilities, and those who assist them, can live, work and pray together in a community of fellowship and harmony. Additionally, the organization assists these individuals in revealing and nurturing their unique values, gifts and vocational abilities.

The organization is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. It is also exempt from California franchise tax under Section 23701 (d) of the California Revenue and Taxation Code.

Note 2 – Summary of Significant Accounting Policies:

L'Arche Wavecrest has adopted Financial Accounting Standards Board *Accounting Standards Codification* FASB ASC Topic 958, Not-For-Profit Entities. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted amounts are those currently available at the discretion of the board for use in the organization's operations and those resources invested in furniture and equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operation purposes or for the acquisition of property and equipment.

Permanently restricted amounts are those which represent permanent endowments where it is stipulated by donors that the principal remain temporarily restricted, as per endowment agreements.

As of December 31, 2017, there were no temporarily or permanently restricted net assets.

SUPPORT, REVENUE AND EXPENSES

Undesignated contributions are recorded as revenue when cash is received or ownership to donated assets is transferred. All 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. All other revenues are recorded when earned. Expenses are recorded as incurred in accordance with the accrual basis of accounting.

See Accountants' Review Report

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies: (continued)

CASH AND CASH EQUIVALENTS

For balance sheet and cash flow purposes, cash and cash equivalents include cash on hand, cash in deposit with banks, certificates of deposits, and highly liquid securities purchased with a maturity of three months or less.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. (see Note 3) Donated assets with estimated useful lives exceeding one year are capitalized at fair market value. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets. Useful lives have been estimated at five to ten years for all equipment and 30 years for buildings.

INTANGIBLE ASSETS

Intangible assets consist of loan acquisition costs incurred at the time the Maplewood property was acquired. They are being amortized on a straight line basis over thirty years.

PROGRAM SERVICES

The organization's single program service is the provision of living facilities and assistance at a home in Orange, California.

FUNCTIONAL EXPENSES

The cost of operating the organization have been summarized by functional classifications in accordance with FASB ASC Topic 958. Expenses directly related to a classification are summarized accordingly. Expenses that related to more than one classification are allocated based on reasonable estimates of management.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See Accountants' Review Report

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

Note 3 – Property and Equipment:

Land, buildings, and equipment consist of the following:

Land	\$	600,980
Buildings		259,020
Building improvements		128,388
Vehicles		32,777
Office equipment		11,432
Computer equipment		910
		<u>1,033,507</u>
Less accumulated depreciation		(141,289)
	\$	<u>892,218</u>

Depreciation expense of \$17,589 is reflected in the statement of activity.

Note 4 – Notes Payable:

Mortgage payable – secured by Maplewood property, property, payable \$2,707 per month including interest at 4.75%, matures August 2025	\$	445,367
Less current portion		(11,577)
Long-term portion		<u>\$ 433,790</u>

The mortgage note was refinanced on July 10, 2015, with the following payment terms:

Step 1. First 84 months, payable \$2,707 per month with interest at 4.75%

Step 2. Next 35 months, payable \$2,707 per month with interest adjusted based on the weekly 10 year normal constant maturity US Treasurer rate plus 2.5%.

Step 3. Next 35 months to maturity, payable \$2,707 per month with interest adjusted based on the weekly 10 year normal constant maturity US Treasurer rate plus 2.5%.

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L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

Note 4 – Notes Payable: (continued)

Principal maturities for the next five years are as follows:

2019	\$ 11,577
2020	12,728
2021	13,346
2022	13,994
2023	14,674
Thereafter	<u>379,048</u>
	<u>\$ 445,367</u>

Note 5 – Asset Impairment:

FASB ASC Topic 360 requires the organization to periodically test long-lived assets to determine if the reported net book value accurately reflects their future usefulness. The organization has determined that based on estimated undiscounted cash flows from the use and eventual disposition of the property and equipment, no impairment exists. Accordingly, the net book value of the long-lived assets has not been adjusted.

Note 6 – Reconciliation of cash flow from operating activities to changes in net assets:

Change in net assets for the year ended	\$(15,591)
<u>Adjustments for non-cash transaction:</u>	
Depreciation and amortization	18,267
In-Kind donations	
<u>Adjustments to reconcile:</u>	
Increase in receivable and prepaid	4,427
Increase in accounts payable	<u>1,031</u>
Net cash inflow from operating activities	<u>\$ 8,134</u>

See Accountants' Review Report

Supplementary Information

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And Notes to Financial Statements

L'Arche Wavecrest
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services	Administrative	Fundraising	TOTAL
Compensation	\$ 114,948	\$ 23,054	\$ 46,043	\$ 184,045
Payroll Taxes	10,331	2,072	4,138	16,541
Employee benefits	8,055	1,615	3,226	12,897
Payroll processing	1,558	312	624	2,494
Household expenses	1,519	-	-	1,519
Food	30,939	-	-	30,939
Marketing	-	250	-	250
Maintenance	5,911	-	-	5,911
Mortgage interest	21,726	-	-	21,726
Utilities	7,511	-	-	7,511
Community Enrichment	8,490	-	-	8,490
Insurance-Auto	1,993	-	-	1,993
Insurance-Property	2,818	-	-	2,818
Insurance-WC	9,316	1,868	3,732	14,916
Insurance-D & O	-	994	-	994
Auto expenses	1,249	833	-	2,082
Team meetings	4,756	-	-	4,756
Compliance	823	823	-	1,645
Subscriptions	717	-	-	717
Solidarity	1,000	-	-	1,000
Organizational dues	8,790	-	-	8,790
Office expenses	-	672	-	672
Fundraising	-	-	1,570	1,570
Computer Software	-	1,101	-	1,101
Bank card Fees	-	359	-	359
Postage	927	927	-	1,854
Printing & Rep	2,038	2,038	-	4,077
Mileage reimbursement	402	-	-	402
Property taxes	175	-	-	175
Professional fees	-	10,958	-	10,958
Amortization	-	678	-	678
Depreciation	17,588	-	-	17,588
Total Expenses	\$ 263,579	\$ 48,556	\$ 59,332	\$ 371,468

See Accountants' Review Report
and Notes to Financial Statements