

**L'ARCHE BOSTON NORTH, INC.**  
**(formerly Irenicon, Inc.)**

**FINANCIAL STATEMENTS  
YEARS ENDED  
JUNE 30, 2018 AND 2017  
AND  
INDEPENDENT AUDITOR'S REPORT**

**WALSH & CO.**  

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**ACCOUNTANTS & CONSULTANTS**

L'ARCHE BOSTON NORTH, INC.

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# WALSH & CO.

## ACCOUNTANTS & CONSULTANTS

Board of Directors  
L'Arche Boston North, Inc.  
P.O. Box 1177  
Haverhill, Massachusetts

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of L'Arche Boston North, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of income and changes in net assets, 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.

#### **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 in 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 the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

1.

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 Boston North, Inc. as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of L'Arche Boston North, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering L'Arche Boston North, Inc.'s internal control over financial reporting and compliance.

October 10, 2018

Michael J. Walsh



Certified Public Accountant

L'ARCHE BOSTON NORTH, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 352,961	\$ 421,129
Accounts receivable	190,623	166,529
Prepaid expenses	<u>9,220</u>	<u>11,334</u>
Total Current Assets	<u>552,804</u>	<u>598,992</u>
Property and Equipment, net	1,986,199	2,010,747
Security deposit	1,100	1,100
Loan origination fees, net	<u>4,549</u>	<u>4,795</u>
Total Assets	<u>\$ 2,544,652</u>	<u>\$ 2,615,634</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 31,808	\$ 50,371
Accrued expenses	86,476	220,188
Current portion of notes payable	<u>48,516</u>	<u>34,093</u>
Total Current Liabilities	<u>166,800</u>	<u>304,652</u>
Long-Term Liabilities:		
Notes payable, net of current portion	<u>1,719,290</u>	<u>1,757,320</u>
Total Liabilities	<u>1,886,090</u>	<u>2,061,972</u>
Net Assets:		
Unrestricted	657,830	508,526
Temporarily Restricted	<u>732</u>	<u>45,136</u>
Total Net Assets	<u>658,562</u>	<u>553,662</u>
Total Liabilities and Net Assets	<u>\$ 2,544,652</u>	<u>\$ 2,615,634</u>

See accompanying notes.

L'ARCHE BOSTON NORTH, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018		2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Totals	Totals	Totals	Totals
Operating Revenues:				
DDS Contract	\$ 1,727,744	\$ 1,727,744	\$ 1,533,954	\$ 1,533,954
Resident Room and Board	162,143	162,143	149,182	149,182
Contributions	46,401	46,401	158,936	187,436
Rent and Food Subsidy	81,738	81,738	84,548	84,548
Grant Income	829	41,455	5,000	5,000
Interest Income	4,670	829	321	321
Other Revenue	40,723	4,670	5,467	5,467
Net Assets Released from Restrictions	45,136	(40,723)	28,500	(28,500)
Net Assets Reclassification	(44,404)	(45,136)	1,965,908	1,965,908
<b>Total Operating Revenues</b>	<u>2,109,384</u>	<u>2,064,980</u>	<u>1,965,908</u>	<u>1,965,908</u>
Other Expenses:				
Program Expenses	1,766,998	1,766,998	1,843,608	1,843,608
General and Administrative	171,635	171,635	225,923	225,923
Fundraising	21,447	21,447	88,001	88,001
<b>Total Operating Expenses</b>	<u>1,960,080</u>	<u>1,960,080</u>	<u>2,157,532</u>	<u>2,157,532</u>
Changes in Net Assets from Operations	149,304	(44,404)	(191,624)	(191,624)
Net Assets, Beginning of Year	<u>508,526</u>	<u>45,136</u>	<u>700,150</u>	<u>45,136</u>
Net Assets, End of Year	<u>\$ 657,830</u>	<u>\$ 732</u>	<u>\$ 508,526</u>	<u>\$ 553,662</u>

See accompanying notes.  
4.

L'ARCHE BOSTON NORTH, INC.

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 104,900	\$ (191,624)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by operating activities:		
Depreciation and amortization	105,346	82,418
Loss on disposal of fixed assets		53,553
Increase in accounts receivable	(24,094)	(28,864)
Decrease in prepaid expenses	2,114	36,482
(Decrease) increase in accounts payable	(18,563)	30,240
(Decrease) increase in accrued expenses	<u>(133,712)</u>	<u>147,727</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>35,991</u>	<u>129,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed assets		375,000
Purchases of property and equipment	<u>(80,552)</u>	<u>(113,220)</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(80,552)</u>	<u>261,780</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	<u>(23,607)</u>	<u>(265,569)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(23,607)</u>	<u>(265,569)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(68,168)	126,143
BEGINNING CASH AND CASH EQUIVALENTS	<u>421,129</u>	<u>294,986</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 352,961</u>	<u>\$ 421,129</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 79,349</u>	<u>\$ 80,290</u>
NON-CASH TRANSACTION:		
Capital assets with capital lease	<u>\$ _____</u>	<u>\$ 1,305,987</u>

See accompanying notes.

L'ARCHE BOSTON NORTH, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>			<u>2017</u>				
	Program Expense	General and Administrative	Fundraising	Total	Program Expense	General and Administrative	Fundraising	Total
Salaries and Wages	\$ 1,116,510	\$ 62,220	\$ 17,027	\$ 1,195,757	\$ 1,173,977	\$ 73,223	\$ 48,243	\$ 1,295,443
Payroll Taxes and Benefits	196,663	9,493	1,419	207,575	184,310	8,640	7,649	200,599
Automotive Expense	31,255	1,885		33,140	31,004	1,842		32,846
Occupancy	49,008	21,457		70,465	46,105	15,651		61,756
Utilities	30,933	1,398		32,331	24,694	1,549		26,243
Food	52,386	1,344		53,730	50,700	949	3,169	54,818
Other Expense	16,667	1,268		17,935	1,987	3,514	16,446	21,947
Interest	79,324	25		79,349	98,290			98,290
Professional Fees	1,083	24,580		25,663	6,368	79,806	2,690	88,864
Telephone	14,051	16,246		30,297	11,216	10,941	173	22,330
Dues and Memberships	28,910	4,460	840	34,210	29,312	4,642	888	34,842
Office Expense	4,661	6,216	300	11,177	6,194	4,062	1,899	12,155
Advertising/Recruitment	165	2,703	796	3,664	526	1,959	5,801	8,286
Travel and Training	12,631	5,737	174	18,542	15,231	6,225		21,456
Equipment Rental	3,477			3,477	3,249	31		3,280
Household Supplies	16,471	32		16,503	18,463	401		18,864
Outside Services	790	4,325		5,115		4,294		4,294
Licenses and Fees	1,885	1,464	891	4,240	630	554	1,043	2,227
Insurance	8,992	2,572		11,564	9,633	3,388		13,021
Depreciation	101,136	4,210		105,346	78,166	4,252		82,418
Loss on disposal of fixed assets					53,553			53,553
<b>Total Operating Expenses</b>	<b>\$ 1,766,998</b>	<b>\$ 171,635</b>	<b>\$ 21,447</b>	<b>\$ 1,960,080</b>	<b>\$ 1,843,608</b>	<b>\$ 225,923</b>	<b>\$ 88,001</b>	<b>\$ 2,157,532</b>

See accompanying notes.  
6.



L'ARCHE BOSTON NORTH, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Significant Accounting Policies and Organization

Nature of Activities

L'Arche Boston North, Inc. (the "Agency") is a private, non-profit corporation formed in 1982 to maintain and operate community residence for the mentally and physically handicapped and to provide educational and direct non-medical support services for them. The Agency currently has residences in Haverhill and Bradford, Massachusetts.

Financial Statement Presentation

Financial statement presentation follows the Accounting Standards Codification financial statements of not-for-profit organizations. The Agency is required to report information regarding its financial position and activities into the following classes of net assets:

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency.

The balance of unrestricted net assets as of June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Board-Designated Fund	\$ 145,883	\$ 209,817
Unrestricted Fund	<u>511,947</u>	<u>298,709</u>
	<u>\$ 657,830</u>	<u>\$ 508,526</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets are those amounts received with donor restrictions which have not yet been expended for their designated program purposes.

The balance of temporarily restricted net assets as of June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Possibilities Fund	\$	\$ 45,136
Agnes Lindsey Fund	<u>732</u>	<u>          </u>
	<u>\$ 732</u>	<u>\$ 45,136</u>

The Possibilities Fund has been established for non-operating expenses separate and distinct from any Capital Improvement Fund. The Fund is designated for planning for future housing or programming growth, or for residential needs, based on new or changing needs of a core member.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers the funds in the checking account and money market fund to be cash equivalents.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off as of year-end all balances that are uncollectible. Based on management's assessment of the credit history with clients and donors having outstanding balances and current relationships with them, it has concluded losses on balances outstanding at year-end, if any, will be immaterial.

Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are recorded at their fair market value. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the various assets as follows:

Computers; and equipment and software	3 – 5 years
Equipment and fixtures	7 – 10 years
Building and leasehold	20 – 35 years
Capital leased asset	30 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Support and Revenue

Certain contract revenue and grants may provide revenues over a period which extends into the following fiscal year. In those cases, revenues are recognized on a pro-rata basis or matched to services provided. When revenues are received before the service has been performed, the revenues are deferred.

Contributions

Contributions received are recorded at fair market value as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Donated Services and Materials

The Agency receives significant donations of services and materials which are recognized in these financial statements. The following donations were received and recorded for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Consulting		\$ 13,333
Materials-auction		10,386
Repairs	\$ 333	
Total	<u>\$ 333</u>	<u>\$ 23,719</u>

Income Taxes

The Agency is a non-profit organization which has qualified for tax exempt status from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency has no unrelated business income. The Agency's tax return form 990, for the years ending June 30, 2015, 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they are filed. The Agency is also exempt from state income taxes. The Agency has no uncertain tax positions at June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, expenses directly related to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Advertising

Advertising costs are expensed as incurred. Advertising, including recruitment expense, for the years ended June 30, 2018 and 2017, was \$3,664 and \$8,286 respectively.

2. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 240,000	\$ 240,000
Building and leasehold	992,172	962,259
Capital leased asset	1,305,987	1,305,987
Equipment and fixtures	95,569	95,569
Vehicles	<u>175,788</u>	<u>125,149</u>
Total	2,809,516	2,728,964
Accumulated depreciation	<u>(823,317)</u>	<u>(718,217)</u>
Property and Equipment – net	<u>\$ 1,986,199</u>	<u>\$ 2,010,747</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$105,346 and \$82,418, respectively.

3. FACILITY LEASE

The Agency leases its office under an extended agreement which expires August 31, 2033. The Agency is responsible for its proportionate share of building operating costs over a base amount. At June 30, 2018, future minimum lease payments are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2019	\$ 17,900
2020	18,000
2021	18,000
2022	18,500
2023	18,600
2024 and thereafter	<u>199,900</u>
	<u>\$ 290,900</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$17,400.

4. PENSION PLAN

L'Arche Boston North, Inc. maintains a defined contribution plan and a tax sheltered annuity plan qualifying under Section 403(b) of the Internal Revenue Code. Eligible employees are able to participate in the plan upon hire. Employees may make contributions to the plan through salary reductions (subject to IRS limits). Contributions under the plan vest immediately. The Agency does not make contributions to the plan.

5. CONCENTRATION OF CREDIT RISK

The Agency maintains its cash in two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the balance of accounts up to \$250,000. The Depositors Insurance Fund (DIF) and the Share Insurance Fund (SIF) insures all deposits over FDIC limits.

The Agency derived appropriately 84% and 78% of its revenue from a Massachusetts Agency for the years ended June 30, 2018 and 2017, respectively. The Agency has 96% and 86% in accounts receivable from the same Massachusetts Agency as of June 30, 2018 and 2017, respectively.

6. BANK LINE OF CREDIT

The Agency has a \$100,000 demand line of credit with a bank. The line of credit is approved through December 31, 2018 with interest rate to float at the Wall Street Journal prime rate.

7. NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
<u>Mortgage Loans</u>		
5.50% fixed rate, secured by the Nazorean House in Bradford, MA due in monthly installments of principal and interest of \$1,072 maturing until 2027, when the remaining balance of \$57,054 is due.	\$ 124,730	\$ 130,457
5.15% variable rate 20 year loan, secured by the Peace House in Haverhill, MA, due in equal monthly installments of principal and interest of \$1,098 through 2032 and subject to interest rate changes every five years to the prevailing five year FHLBB Classic Advanced Rate plus 4.00%.	130,611	136,788
5.24% variable rate, secured by the Assisi House in Haverhill, MA due in equal monthly installments of principal and interest of \$1,431 maturing in 2032 subject to interest rate changes every five years to the prevailing rate of the five year Federal Home Loan Bank of Boston Classic Advance Rate plus 4.00%.	169,231	177,178

L'Arche Boston North, Inc.  
Notes to Financial Statements

Capital Lease Obligation:

6% fixed rate, secured by Pat's House in Merrimack, MA  
Due in monthly installments of principal and interest  
of \$6,402 maturing in 2046.

1,272,593                      1,295,115

Other Loans:

Non-interest bearing subordinated note, secured by the  
Nazorean House in Bradford, MA. In return for the  
interest concession from CEDAC, principal and any  
accrued interest are not required to be repaid unless  
operational cash flows are in excess of the maximum  
percentage or if L'Arche Boston North, Inc. ceases  
to provide care for the core members.  
Matures in 2029.

51,875                              51,875

3.89% fixed rate, secured by certain vehicle, due in  
monthly installments of principal and interest of  
\$361 maturing in 2023.

18,766                                                  

Total	1,767,806	1,791,413
Current portion	<u>(48,516)</u>	<u>(34,093)</u>
Long-term portion	<u>\$ 1,719,290</u>	<u>\$ 1,757,320</u>

Total principal maturities during the next years for long-term debt are as follows:

Years Ended	<u>Amount</u>
<u>June 30</u>	
2019	\$ 48,516
2020	50,725
2021	53,146
2022	55,629
2023	57,162
2024 and thereafter	<u>1,502,628</u>
	<u>\$ 1,767,806</u>

8. RELATED PARTY REVENUES

The Agency is a member of the international network L'Arche Inc. L'Arche USA is a division of L'Arche Inc. and is comprised of eighteen communities. During the years ended June 30, 2018 and 2017, the agency paid annual dues to L'Arche USA in the amount of \$28,710 and \$28,780, respectively.

9. FAIR VALUE MEASUREMENT

The Agency reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2018 and 2017.

Cash and cash equivalents: At fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the Agency's assets at fair value.

Assets at fair value as of June 30, 2018

(In thousands)

	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 353</u>	<u>\$ 353</u>

Assets at fair value as of June 30, 2017

(In thousands)

	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 421</u>	<u>\$ 421</u>

Valuation and Income Recognition

The Agency's cash and cash equivalents of June 30, 2018 and 2017 are stated at fair value.

The aggregate of the fair value amounts presented above do not necessarily represent the underlying value of the Agency.



10. SURPLUS REVENUE RETENTION

In accordance with L'Arche Boston North, Inc.'s contract with one of its principal funding sources, the Commonwealth of Massachusetts, the Agency is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). The Agency may retain as its surplus up to 5% of total revenue from the Commonwealth during any fiscal year. In addition, the Agency may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior years' total support and revenue from the Commonwealth. At June 30, 2018 and 2017 there were no amounts due under this agreement.

11. CORPORATE NAME CHANGE

The Board of Directors approved the name change for Irenicon, Inc. to L'Arche Boston North, Inc. Effective March 27, 2018.

12. RECLASSIFICATION

Certain items in the 2017 financial statements have been reclassified to conform to the current years presentation. Management was informed that \$45,136 is unrestricted board-designated.

13. SUBSEQUENT EVENTS

The Agency has evaluated all subsequent events through October 10, 2018, the date the financial statements became available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.