

L'Arche Boston North, Inc.

Financial Statements

June 30, 2019

L'Arche Boston North, Inc.

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June 30, 2019

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FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
L'Arche Boston North, Inc.
Haverhill, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of L'Arche Boston North, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of a Matter


As discussed in Note A to the financial statements, as of June 30, 2019, L'Arche Boston North, Inc., adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, and direction for consistency about information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of L'Arche Boston North, Inc. as of June 30, 2018 were audited by other auditors whose report dated October 10, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, 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.


Certified Public Accountants

Newburyport, Massachusetts
October 17, 2019

L'Arche Boston North, Inc.
Statement of Financial Position
June 30, 2019
(with summarized financial information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 425,494	\$ 352,961
Accounts receivable	194,535	190,623
Prepaid expenses and other assets	<u>10,649</u>	<u>9,220</u>
Total Current Assets	<u>630,678</u>	<u>552,804</u>
Non-current Assets		
Net Property and Equipment	<u>1,730,103</u>	<u>1,986,199</u>
Security Deposit	<u>1,100</u>	<u>1,100</u>
Total Non-current Assets	<u>1,731,203</u>	<u>1,987,299</u>
Total Assets	<u>\$ 2,361,881</u>	<u>\$ 2,540,103</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	\$ 41,383	\$ 48,516
Accounts payable	42,362	31,808
Accrued expenses	<u>97,273</u>	<u>86,476</u>
Total Current Liabilities	<u>181,018</u>	<u>166,800</u>
Long-Term Debt, net of current portion	<u>1,457,743</u>	<u>1,714,741</u>
Total Liabilities	<u>1,638,761</u>	<u>1,881,541</u>
Net Assets		
Without donor restrictions:		
Board designated	147,179	145,883
Undesignated	575,941	511,947
With donor restrictions	<u>-</u>	<u>732</u>
Total Net Assets	<u>723,120</u>	<u>658,562</u>
Total Liabilities and Net Assets	<u>\$ 2,361,881</u>	<u>\$ 2,540,103</u>

See accompanying notes to financial statements and independent auditor's report.

L'Arche Boston North, Inc.
Statement of Activities
For the year ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2019 <u>Total</u>	2018 <u>Total</u>
Operating Revenues				
DDS Contract	\$ 1,899,422	\$ -	\$1,899,422	\$1,727,744
Resident Room and Board	153,335	-	153,335	162,143
Contributions	77,143	-	77,143	46,401
Rent and Food Subsidy	67,515	-	67,515	81,738
Grant Income	-	20,000	20,000	41,455
Interest Income	1,689	-	1,689	829
Other Revenue	7,694	-	7,694	4,670
Gain on Disposal of Assets	4,250	-	4,250	-
Net assets released from restrictions:				
Restrictions satisfied by use in programs	<u>20,732</u>	<u>(20,732)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>2,231,780</u>	<u>(732)</u>	<u>2,231,048</u>	<u>2,064,980</u>
Expenses				
Program services	1,962,497	-	1,962,497	1,766,998
General and administrative	159,508	-	159,508	171,635
Fundraising	<u>44,485</u>	<u>-</u>	<u>44,485</u>	<u>21,447</u>
Total Expenses	<u>2,166,490</u>	<u>-</u>	<u>2,166,490</u>	<u>1,960,080</u>
Change in Net Assets	65,290	(732)	64,558	104,900
Net Assets – Beginning of Year	<u>657,830</u>	<u>732</u>	<u>658,562</u>	<u>553,662</u>
Net Assets – End of Year	<u>\$ 723,120</u>	<u>\$ -</u>	<u>\$ 723,120</u>	<u>\$ 658,562</u>

See accompanying notes to financial statements and independent auditor's report.

L'Arche Boston North, Inc.
Statement of Functional Expenses
For the year ended June 30, 2019
(with summarized financial information for the year ended June 30, 2018)

	Programs	General and Administrative	Fund- raising	2019 Total	2018 Total
Salaries and wages	\$ 1,219,861	\$ 71,324	\$ 19,574	\$1,310,759	\$ 1,195,757
Payroll taxes and benefits	215,659	11,819	1,581	229,059	207,575
Stipends	39,211	-	-	39,211	12,655
Household supplies	19,612	192	-	19,804	16,503
Food	54,883	1,790	27	56,700	53,730
Equipment rental	4,167	-	-	4,167	3,477
Utilities	34,186	1,434	-	35,620	32,331
Occupancy	48,702	9,928	-	58,630	70,465
Advertising and recruitment	297	5,325	-	5,622	3,664
Automotive expense	33,634	5,262	-	38,896	33,140
Depreciation	103,033	4,210	-	107,243	105,346
Dues and memberships	34,069	5,665	1,384	41,118	34,210
Events	-	-	18,643	18,643	-
Information technology	19,608	5,778	-	25,386	30,297
Insurance	11,348	2,104	-	13,452	11,564
Interest	86,493	-	-	86,493	79,349
Licenses and fees	1,468	1,404	30	2,902	4,240
Office expense	2,084	3,774	-	5,858	11,177
Other Expense	16,639	3,003	3,246	22,888	5,280
Outside services	5,928	2,133	-	8,061	5,115
Professional fees	1,188	16,546	-	17,734	25,663
Travel and training	10,427	7,817	-	18,244	18,542
Total Expenses	\$ 1,962,497	\$ 159,508	\$ 44,485	\$2,166,490	\$ 1,960,080

See accompanying notes to financial statements and independent auditor's report.

L'Arche Boston North, Inc.
Statement of Cash Flows
For the year ended June 30, 2019

Operating Activities	
Change in net assets	\$ 64,558
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	107,243
Gain on sale of fixed assets	(4,250)
Changes in operating assets and liabilities:	
Accounts receivable	(3,912)
Prepaid expenses	(5,980)
Accounts payable	10,554
Accrued expenses	<u>10,797</u>
Net Cash Provided by Operating Activities	<u>179,010</u>
Investing Activities	
Proceeds from sale of property and equipment	1,500
Purchase of property and equipment	<u>(74,657)</u>
Net Cash Used in Investing Activities	<u>(73,157)</u>
Financing Activities	
Payments on long-term debt	<u>(33,320)</u>
Net Cash Used in Financing Activities	<u>(33,320)</u>
Net increase (decrease) in cash and cash equivalents	72,533
Cash and cash equivalents, beginning of year	<u>352,961</u>
Cash and cash equivalents, end of year	<u>\$ 425,494</u>
Supplemental Data:	
Taxes paid	<u>\$ -</u>
Interest paid	<u>\$ 86,493</u>
Non-cash Transactions:	
Purchase of vehicle utilizing allowance on trade-in of another vehicle	<u>\$ 2,750</u>
Non-cash decrease of capital leased asset and capital lease obligation (Note A)	<u>\$(230,811)</u>

See accompanying notes to financial statements and independent auditor's report.

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

During the year ended June 30, 2019, the Agency adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* issued by the Financial Accounting Standards Board (FASB). The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Agency has adjusted the presentation in these financial statements accordingly. The application of the update caused no significant restatements or reclassifications in net assets presented.

L'Arche Boston North, Inc. prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification financial statements of not-for-profit organizations. The Agency is required to report its financial position and activities according to two classes of net assets as defined below.

Net Assets Without Donor Restrictions – consists of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered without restrictions unless specifically restricted by the donor.

The balance of net assets without donor restrictions as of June 30, 2019 consisted of the following:

Board-Designated Fund	\$ 147,179
Unrestricted Fund	<u>575,941</u>
	<u>\$ 723,120</u>

Board designated funds consist of "The Possibilities Fund," which the board has designated for planning for future housing or programming growth, or for residential needs, based on new and/or changing needs of a core member.

Net Assets With Donor Restrictions – includes funds with donor-imposed restrictions, which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Agency. Resources of this nature originate from gifts, grants, bequests, contracts and investment incomes earned on restricted funds.

As of June 30, 2019, the Agency had no net assets with donor restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with L'Arche Boston North, Inc.'s financial statements for the year ended June 30, 2018, from which the summarized information was derived. Certain reclassifications have been made to the summarized information to be consistent with the presentation in the audited financial statements as of June 30, 2019.

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

During the year ended June 30, 2019, the Agency changed the estimated values of the capital leased property and capital lease obligation reported in Note A and Note C based on additional information received during the year. The capital leased asset was decreased by \$238,171 and corresponding accumulated depreciation was decreased by \$11,909. The capital lease obligation was decreased by \$230,811. The net adjustment of \$4,549 was recorded as an adjustment to interest expense in the year ended June 30, 2019.

Fair Value Measurements

Management has adopted the criteria of FASB ASC 820-10, (formerly SFAS No. 157, "*Fair Value Measurements*"). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosure about fair value measurements. FASB ASC 820-10 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820-10 are as follows:

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 methodology other than quoted market prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

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

The asset or liability's fair value 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.

Cash and cash equivalents are the only assets valued at fair value. There has been no change in the methodology used at June 30, 2019.

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 as of June 30, 2019.

	<u>Assets at fair value:</u>	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 425,494</u>	<u>\$425,494</u>

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounts receivable 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; equipment and software	3 – 5 years
Equipment and fixtures	7 – 10 years
Building and leasehold	20 – 27.5 years
Capital leased building	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.

Property and equipment at June 30, 2019 consisted of the following:

Land	\$ 240,000
Building and leasehold	1,041,903
Capital leased building and land	1,067,816
Equipment and fixtures	95,569
Vehicles	<u>156,810</u>
Total	2,602,098
Accumulated depreciation	<u>(871,995)</u>
Property and Equipment - net	<u>\$1,730,103</u>

Depreciation and amortization expense for the year ended June 30, 2019 was \$107,243.

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 net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services and Materials

The Agency receives occasional donations of services and materials which are recognized in these financial statements. The following donations were received and recorded for the year ended June 30, 2019:

Consulting	\$ 220
Materials – auction	<u>1,500</u>
Total	<u>\$ 1,720</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, 2019, 2018, 2017 and 2016 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, 2019.

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. The primary expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. General and administrative expenses include those expenses that are not directly identifiable or allocable with any other specific function but provide for the overall support and direction of the Agency.

Advertising

Advertising costs are expensed as incurred. Advertising, including recruitment expense, for the year ended June 30, 2019, was \$3,190.

Related Party Expenses

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 year ended June 30, 2019, the agency paid annual dues to L'Arche USA in the amount of \$32,904.

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

Surplus Revenue Retention

The excess (deficiency) of revenue received from departments of the Commonwealth of Massachusetts is the amount in accordance with the Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy, pursuant to 808CMR 1.19(3) of the Pricing, Reporting, and Auditing for Social Programs, which allows a provider to retain, for future use, a portion of annual net surplus. Net surplus from the revenues and expenses with services provided to purchasing agencies, which are subject to 808CMR 1.00, may not exceed 20% of the provider's revenues derived from contracts with state departments annually. The Agency's surplus revenue did not exceed the 20% threshold for the year ended June 30, 2019.

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE B - SUBSEQUENT EVENTS

The Agency has evaluated all subsequent events through October 17, 2019, 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.

NOTE C – NOTES PAYABLE, CAPITAL LEASE AND LINE OF CREDIT

Notes payable consisted of the following at June 30, 2019:

Mortgage Loans

5.50% fixed rate, secured by the Nazorean House in Bradford, MA due in monthly installments of principal and interest of \$1,072, maturing in 2032. \$ 118,675

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% 124,103

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 changed every five years to the prevailing rate of the five-year Federal Home Loan Bank of Boston Classic Advance Rate plus 4.00%. 160,852

Capital Lease Obligation:

6.00% fixed rate, secured by Pat's House in Merrimack, MA, due in monthly installments of principal and interest of \$6,402 maturing in 2046. 1,028,524

Other Loans:

Non-interest bearing subordinated note, secured by the Nazorean House in Bradford, MA. In return for the interest concession of 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

3.89% fixed rate, secured by certain vehicle, due in monthly installments of principal and interest of \$361 maturing in 2023. 15,097

Total	1,499,126
Current portion	(41,383)
Long-term portion	<u>\$ 1,457,743</u>

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE C – NOTES PAYABLE (continued)

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

<u>Years ended</u> <u>June 30</u>	<u>Amount</u>
2020	\$ 41,383
2021	43,761
2022	46,216
2023	47,714
2024	47,050
2025 and thereafter	1,273,002
	<u>\$ 1,499,126</u>

Line of Credit

The Agency has a \$150,000 demand line of credit with a bank. The line of credit is approved through December 31, 2019 with an interest rate to float at the Wall Street Journal prime rate. As of June 30, 2019, there were no funds drawn on the line of credit.

NOTE D – FACILITY LEASE

The Agency leases its office under an extended agreement which expires August 31, 2023. The Agency is responsible for its proportionate share of building operating costs over a base amount. At June 30, 2019, future minimum lease payments are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2020	\$ 18,000
2021	18,000
2022	18,550
2023	18,600
2024	1,550
2025 and thereafter	-
	<u>\$ 74,700</u>

The Agency has the option to renew the lease described above for two additional five-year periods when the current term expires. The Agency has not yet renewed the lease beyond August 2023. Rent expense for the year ended June 30, 2019 was \$17,950.

NOTE E – 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.

L'Arche Boston Inc.
Notes to the Financial Statements
June 30, 2019

NOTE F – 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.

NOTE G – CONCENTRATION OF CREDIT RISK

The Agency derived approximately 85% of its revenue during the year ended June 30, 2019 and 93% of its accounts receivable as of June 30, 2019, from one Massachusetts Agency.

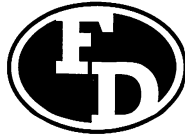
NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Agency's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets at year-end:	\$ 620,029
Less those unavailable for general expenditures within one year:	
Capital reserve funds set aside under CEDAC agreement	<u>(61,543)</u>
Financial assets available to meet cash needs for general expenditure within one year:	<u>\$ 558,486</u>

As of June 30, 2019, the Agency's only borrowing commitments are the mortgage, capital lease, vehicle loan and line of credit described in Note C above. The Agency's mortgages are subject to various covenants. As of June 30, 2019, management is not aware of any violations of the covenants.

The funds set aside under the Agency's agreement with CEDAC are funds to be utilized for capital improvements to the mortgaged property and won't necessarily be utilized within one year.



FRITZ DEGUGLIELMO LLC
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
L'Arche Boston North, Inc.
Haverhill, Massachusetts

We have audited, in accordance with the 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, the financial statements of L'Arche Boston North, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered L'Arche Boston North, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of L'Arche Boston North, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of L'Arche Boston North, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether L'Arche Boston North, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Newburyport, Massachusetts

October 17, 2019