

**L'Arche Boston North, Inc.**

Financial Statements

June 30, 2023

**L'Arche Boston North, Inc.**

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**FRITZ DEGUGLIELMO LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**& BUSINESS ADVISORS**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of L'Arche Boston North, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of L'Arche Boston North, Inc. as of June 30, 2023, and the change 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of L'Arche Boston North, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about L'Arche Boston North, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of L'Arche Boston North, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about L'Arche Boston North, Inc.'s ability to contribute as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Report on Summarized Comparative Information***

We have previously audited L'Arche Boston North, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 December 11, 2023, 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 solely 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 the effectiveness of L'Arche Boston North, Inc.'s 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  
December 11, 2023

**L'Arche Boston North, Inc.**  
Statement of Financial Position  
June 30, 2023  
(with summarized financial information as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,542,013	\$ 846,857
Accounts receivable	336,318	299,151
ERTC receivable	-	996,513
Prepaid expenses and other assets	31,765	27,651
Total Current Assets	<u>1,910,096</u>	<u>2,170,172</u>
Non-current Assets		
Net right-of-use asset	9,840	-
Net property and equipment	2,660,949	2,141,094
Security deposit	2,200	1,100
Total Non-current Assets	<u>2,672,989</u>	<u>2,142,194</u>
Total Assets	<u>\$ 4,583,085</u>	<u>\$ 4,312,366</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Current portion of debt	\$ 62,088	\$ 38,425
Current portion of right-of-use liability	3,070	-
Accounts payable	51,530	144,243
Accrued expenses	187,087	121,119
Total Current Liabilities	<u>303,775</u>	<u>303,787</u>
Long-term Liabilities		
Right-of-use asset, net of current portion	6,770	-
Long-Term Debt, net of current portion	2,059,410	1,756,733
Total Long-term Liabilities	<u>2,066,180</u>	<u>1,756,733</u>
Total Liabilities	<u>2,369,955</u>	<u>2,060,520</u>
Net Assets		
Without restrictions	2,213,130	2,231,026
With restrictions	-	20,820
Total Net Assets	<u>2,213,130</u>	<u>2,251,846</u>
Total Liabilities and Net Assets	<u>\$ 4,583,085</u>	<u>\$ 4,312,366</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, 2023  
(with summarized financial information for the year ended June 30, 2022)

	<u>Without</u> <u>Restrictions</u>	<u>With</u> <u>Restrictions</u>	<u>2023</u> <u>Total</u>	<u>2022</u> <u>Total</u>
Operating Revenues				
DDS Contracts	\$2,924,226	\$ -	\$2,924,226	\$2,584,709
Resident Room and Board	189,183	-	189,183	179,301
Rent and Food Subsidy	82,197	-	82,197	70,908
Contributions	187,596	-	187,596	148,268
Grant Income	-	32,174	32,174	39,075
ERTC Credits	33,287	-	33,287	588,175
Other Revenue	95,218	-	95,218	51,256
Interest Income	6,731	-	6,731	458
Gain on Disposal of Assets	17,260	-	17,260	-
Net assets released from restrictions	<u>52,994</u>	<u>(52,994)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>3,588,692</u>	<u>(20,820)</u>	<u>3,567,872</u>	<u>3,662,150</u>
Expenses				
Program Services	3,245,256	-	3,245,256	2,809,724
Management and General	268,465	-	268,465	180,436
Fundraising	<u>92,867</u>	<u>-</u>	<u>92,867</u>	<u>83,977</u>
Total Expenses	<u>3,606,588</u>	<u>-</u>	<u>3,606,588</u>	<u>3,074,137</u>
Change in Net Assets from Operations	(17,896)	(20,820)	(38,716)	588,013
Net Assets – Beginning of Year	<u>2,231,026</u>	<u>20,820</u>	<u>2,251,846</u>	<u>1,663,833</u>
Net Assets – End of Year	<u>\$2,213,130</u>	<u>\$ -</u>	<u>\$2,213,130</u>	<u>\$2,251,846</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, 2023  
(with summarized financial information for the year ended June 30, 2022)

	Programs	Management and General	Fund- raising	2023 Total	2022 Total
Salaries and wages	\$ 2,112,088	\$ 69,983	\$ 44,776	\$2,226,847	\$1,889,446
Payroll taxes and benefits	359,606	26,844	3,898	390,348	312,129
Stipends	92,338	-	-	92,338	81,417
Food	96,440	106	-	96,546	86,826
Household supplies	59,608	-	-	59,608	64,492
Occupancy	105,124	18,893	-	124,017	90,393
Utilities	47,242	2,733	-	49,975	41,022
Advertising and recruitment	462	24,402	39,270	64,134	28,794
Automotive expense	47,690	-	-	47,690	43,818
Depreciation and amortization	96,260	3,913	-	100,173	100,491
Dues and memberships	45,895	10,268	840	57,003	52,979
Equipment rental	2,480	2,767	-	5,247	7,370
Events	-	-	-	-	4,271
Information technology	48,494	12,521	-	61,015	42,248
Insurance	10,777	5,742	-	16,519	15,043
Interest	67,037	-	-	67,037	43,867
Licenses and fees	4,346	1,588	2,828	8,762	5,659
Office expense	3,181	21,494	99	24,774	7,103
Other Expense	4,830	4,679	1,156	10,665	14,280
Outside Services	23,312	8,206	-	31,518	101,710
Professional Fees	1,240	38,266	-	39,506	21,491
Travel and training	16,806	16,060	-	32,866	19,288
Total Expenses	<u>\$ 3,245,256</u>	<u>\$ 268,465</u>	<u>\$ 92,867</u>	<u>\$3,606,588</u>	<u>\$3,074,137</u>

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, 2023

Operating Activities

Change in net assets	\$ (38,716)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	100,173
Gain on disposal of assets	(17,260)
Changes in operating assets and liabilities:	
Accounts receivable	(37,167)
ERTC receivable	996,513
Prepaid expenses and other	(5,214)
Accounts payable	(92,713)
Accrued expenses	65,968
Contributions restricted for investment in property	(32,174)
Net Cash Provided by Operating Activities	<u>939,410</u>

Investing Activities

Proceeds from disposal of assets	32,779
Purchase of property and equipment	(635,547)
Net Cash Used in Investing Activities	<u>(602,768)</u>

Financing Activities

Contributions restricted for investment in property	32,174
Proceeds from long-term debt	361,318
Payments on long-term debt	(34,978)
Net Cash Provided by Financing Activities	<u>358,514</u>

Net increase in cash and cash equivalents	695,156
Cash and cash equivalents, beginning of year	<u>846,857</u>
Cash and cash equivalents, end of year	<u>\$ 1,542,013</u>

Supplemental Data:

Taxes paid	\$ -
Interest paid	<u>\$ 67,037</u>

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



**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

**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

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, 2023, consisted of the following:

Board-Designated Fund	\$ 224,860
Unrestricted Fund	<u>1,988,270</u>
	<u><u>\$2,213,130</u></u>

Board designated funds include "The Possibilities Fund," totaling \$149,900, 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. Board designated funds also include \$74,960 of capital reserves set aside under the Agency's agreement with CEDAC.

*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.

During the year ended June 30, 2022, the Agency received a \$25,000 grant from a foundation to be utilized in the Agency's day programs of which the remaining restricted amount of \$20,820 was expended during the year ended June 30, 2023. The Agency received and expended a \$32,174 grant to assist in the purchase of a vehicle during the year ended June 30, 2023. The balance of net assets with donor restrictions as of June 30, 2023 was \$0.

Comparative Financial Statements and Change in Accounting Principle

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, 2022, 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, 2023.

The Agency has fully implemented *ASC 842 Leases*. ASC 842 requires the present value of long-term leases to be recorded as an asset of the Agency and future lease payments to be recorded as a liability. The asset is required to be amortized ratably over the lease term and lease payments are allocated between interest expense and liability payments. Previously, operating lease payments were expensed as incurred with no corresponding asset or liability recorded. The significant impact to the Agency's financial statements is to the Statement of Financial Position. The beginning net assets on the Statement of Activities as a result of the cumulative effect of this change in accounting principle has not changed.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

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.

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, 2023.

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, 2023.

	<u>Assets at fair value:</u>	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	<u>\$1,542,013</u>	<u>\$1,542,013</u>

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.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ERTC Credits and Receivable

During the year ended June 30, 2023, the Agency applied for the Employee Retention Tax Credit authorized under the CARES Act. The credit applied for covered the quarters of January 1, 2020 to September 30, 2021. For the year ended June 30, 2023, in accordance with *Accounting for Contributions Received and Contributions Made* found in FASB ASC 958-605 – Not-for-Profit Entities- Revenue Recognition, the Agency recorded ERTC revenue of \$33,287, for the portion of the credit that the Agency believed it had substantially met the conditions of during the year ended June 30, 2023. All ERTC credits had been collected prior to the end of the year and therefore there was no ERTC receivable or payable as of June 30, 2023.

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
Finance leased building	30 years

Expenditures of \$5,000 or more 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, 2023 consisted of the following:

Land	\$ 473,000
Building and leasehold	1,907,583
Finance leased building and land	1,067,816
Equipment and fixtures	171,966
Vehicles	<u>243,490</u>
Total	3,863,855
Accumulated depreciation	<u>(1,202,906)</u>
Property and Equipment - net	<u>\$2,660,949</u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$100,173.

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.

Donated Services and Materials

The Agency receives occasional donations of services and materials which are recognized in these financial statements. The Agency recorded no donated goods and services during the year ended June 30, 2023.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, 2022, 2021 and 2020 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, 2023.

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, 2023, was \$4,783.

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, 2023, the agency paid annual dues to L'Arche USA in the amount of \$45,840.

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, 2023.

NOTE B - SUBSEQUENT EVENTS

The Agency has evaluated all subsequent events through December 11, 2023, 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.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

**NOTE C – NOTES PAYABLE, FINANCE LEASE AND LINE OF CREDIT**

Notes payable and finance leases consisted of the following at June 30, 2023:

Mortgage Loans

6.51% variable rate loan, modified from a fixed rate loan, secured by the Nazorean House in Bradford, MA due in monthly installments of principal and interest of \$993 during the year ended June 30, 2023, maturing in 2032 and subject to interest rate changes every five years to the prevailing five-year FHLBB Classic Advanced Rate plus 3.00%. \$ 91,302

6.51% variable rate 20-year loan, secured by the Peace House in Haverhill, MA, due in equal monthly installments of principal and interest of \$1,031 through 2032 and subject to interest rate changes every five years to the prevailing five-year FHLBB Classic Advanced Rate plus 4.00%. 94,017

6.71% variable rate, secured by the Assisi House in Haverhill, MA, due in equal monthly installments of principal and interest of \$1,344 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%. 122,837

4.25% variable rate, secured by the Smith Street property in Haverhill, MA, interest only for one year then due in equal monthly installments of principal and interest in 2042 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 2.5%. The maximum borrowing under the loan is \$777,146. 777,146

Finance Lease Obligation:

6.00% fixed rate, secured by Pat's House in Merrimack, MA, due in original monthly installments of principal and interest of \$6,402, modified starting November 1, 2020 to \$3,156, maturing in 2046. 984,321

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

Total	2,121,498
Current portion	(62,088)
Long-term portion	\$ 2,059,410

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

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>
2024	\$ 62,088
2025	65,767
2026	69,536
2027	73,532
2028	72,015
2029 and thereafter	1,778,560
	<u>\$ 2,121,498</u>

Finance Lease Obligation

The Agency was notified during fiscal year 2021 that the lessor under its finance lease obligation above closed on a mortgage loan from the Community Economic Development Center (“CEDAC”) which reduced the lessor’s payable mortgage obligation on the related property. As a result, in accordance with the original lease agreement, the lessor passed the reduction through to the Agency as a reduction in monthly payments through maturity. In accordance with ASC 840-Leases, the modification did not result in debt extinguishment since the CEDAC mortgage is attached to the property and the Agency must adhere to the mortgage requirements as long as it is utilizing the property. In addition, if the Agency purchases the property or receives the property via donation, it will have to either pay off the mortgage or inherit it as the mortgagee. Therefore, only future maturities of the finance lease have been modified.

Line of Credit

The Agency has a \$250,000 demand line of credit with a bank. The line of credit is approved through December 31, 2023 with an interest rate to float at the Wall Street Journal prime rate. As of June 30, 2023, there were no funds drawn on the line of credit.

NOTE D – LEASES

The Agency has adopted to record leases under ASC 842 - Leases utilizing the effective date method and has calculated the initial operating right-of-use assets and liabilities as of July 1, 2022. The Agency’s finance lease is described in Note C and the accounting treatment of that lease did not change with the implementation of ASC 842. The Agency has elected a package of practical expedients to not reassess whether a contract is or contains a lease, lease classification or initial direct costs. The Agency did not elect the hindsight expedient, does not have land easements and will elect the short-term lease exemption, when applicable.

The Agency leases its office space under an extended agreement which expired June 30, 2023. Effective July 1, 2023, the Agency entered into a new lease agreement with a change in space usage. Since that new lease commences in the next fiscal year, the Agency did not record an asset or liability related to the lease in the year ended June 30, 2023. The Agency also leases storage space for which it modified the original lease to extend the term to June 30, 2026. The Agency is responsible for its proportionate share of building operating costs over a base amount and those costs are considered separate from the lease and do not impact the right-of-use asset or liability.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

**NOTE D – LEASES (continued)**

Long-term operating lease agreements, including modifications, requiring right-of-use asset and liability recording are summarized as follows:

Description	Date*	Payment Terms*	Payment Amount	Interest Rate	Total Original Lease Asset/Liability	Accum. Amort. 6/30/2023	Net Asset 6/30/2023	Liability Balance 6/30/2023
Office, Haverhill, MA	9/1/2021	36 months	\$1,550	6.51%	\$ 18,223	\$ 18,223	\$ -	\$ -
Storage, Haverhill, MA	9/1/2021	58 months	\$300	6.51%	12,716	2,876	9,840	9,840
					<u>\$ 30,939</u>	<u>\$ 21,099</u>	<u>\$ 9,840</u>	<u>\$ 9,840</u>

\* Lease right-of-use assets are measured as of the effective date July 1, 2022. The items listed above are based on the initial lease date and terms, as modified, if applicable.

At June 30, 2023, future minimum lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 3,070	\$ 530	\$ 3,600
2025	3,275	325	3,600
2026	3,495	105	3,600
2027	-	-	-
2028	-	-	-
Thereafter	-	-	-
	<u>\$ 9,840</u>	<u>\$ 960</u>	<u>\$10,800</u>

For the year ended June 30, 2023, total amortization expense of leased assets was \$21,100 and total interest expense on lease liability was \$1,100. The total lease expense for the year ended June 30, 2023 was \$22,200.

**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 match up to 2% of salary after an employee has attained 2 years of service. The Agency contributed \$7,610 of matching contributions during the year ended June 30, 2023.

**NOTE F – CONCENTRATIONS**

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) insures all deposits over FDIC limits.

The Agency derived approximately 82% of its revenue during the year ended June 30, 2023 and 91% of accounts receivable as of June 30, 2023, from one Massachusetts Agency.

**L'Arche Boston North, Inc.**  
Notes to the Financial Statements  
June 30, 2023

**NOTE G – 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 (cash, accounts receivable and ERTC receivable):	\$ 1,878,331
Less those unavailable for general expenditures within one year:	
Capital reserve funds set aside under CEDAC agreement	<u>(74,960)</u>
Financial assets available to meet cash needs for general expenditure within one year:	<u>\$ 1,803,371</u>

As of June 30, 2023, the Agency's only borrowing commitments are the finance lease, loans and line of credit described in Note C above. The Agency's mortgages are subject to various covenants. As of June 30, 2023, 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, 2023, 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 December 11, 2023.

**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) as a basis for designing 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 financial statements. 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.

A handwritten signature in black ink, reading "Finty O'Sullivan LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Newburyport, Massachusetts

December 11, 2023