

L'ARCHE CLEVELAND, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



L'ARCHE CLEVELAND, INC.

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May 31, 2022

The Board of Directors
L'Arche Cleveland, Inc.
Cleveland, Ohio

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of L'Arche Cleveland, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of L'Arche Cleveland, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of L'Arche Cleveland, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Cleveland, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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, including omissions, 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, 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of L'Arche Cleveland, 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 Cleveland, Inc.'s ability to continue as a going concern for a reasonable period.

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.

Kolster, DiSandro and Fried

L'ARCHE CLEVELAND, INC.
STATEMENTS OF FINANCIAL POSITION

	ASSETS		Increase (Decrease)
	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>	
Current Assets			
Cash and cash equivalents	\$ 279,110	\$ 585,853	\$ (306,743)
Grants and accounts receivable	193,869	170,104	23,765
Current portion l/t receivable	2,335	2,284	51
Investments	<u>223,964</u>	<u>178,980</u>	<u>44,984</u>
Total Current Assets	699,278	937,221	(237,943)
Property and Equipment			
Vehicles	146,216	146,216	-
Furniture & fixtures	11,882	11,882	-
Office equipment	31,330	31,330	-
Residences & land	781,499	627,222	154,277
Less: accumulated depreciation	<u>(282,573)</u>	<u>(416,292)</u>	<u>133,719</u>
Net Property and Equipment	688,354	400,358	287,996
Other Assets			
Deposits	1,214	1,214	-
Loan receivable	114,729	116,839	(2,110)
Less current portion	(2,335)	(2,284)	(51)
Other	<u>1,700</u>	<u>1,700</u>	<u>-</u>
Total Other Assets	<u>115,308</u>	<u>117,469</u>	<u>(2,161)</u>
TOTAL ASSETS	<u><u>\$ 1,502,940</u></u>	<u><u>\$ 1,455,048</u></u>	<u><u>\$ 47,892</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 14,411	\$ 26,137	\$ (11,726)
Accrued expenses	2,112	2,112	-
Taxes withheld	2,418	2,479	(61)
Accrued payroll expenses	33,311	44,624	(11,313)
Accrued compensated absences	<u>39,448</u>	<u>42,927</u>	<u>(3,479)</u>
Total Current Liabilities	91,700	118,279	(26,579)
Long-Term Liabilities			
Total Liabilities	91,700	118,279	(26,579)
Net Assets			
Without donor restrictions	1,411,240	1,282,998	128,242
With donor restrictions	<u>-</u>	<u>53,771</u>	<u>(53,771)</u>
Total Net Assets	<u>1,411,240</u>	<u>1,336,769</u>	<u>74,471</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,502,940</u>	<u>\$ 1,455,048</u>	<u>\$ 47,892</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
State & county grants	\$ -	\$ 1,231,998	\$ 1,231,998
Social Security support	-	74,021	74,021
COVID relief grants	48,989	-	48,989
Contributions	62,516	11,500	74,016
Miscellaneous	895	-	895
Investment income	22,194	-	22,194
Gain on disposal of fixed assets	50,027	-	50,027
Released from restrictions	<u>1,371,290</u>	<u>(1,371,290)</u>	<u>-</u>
 Total Revenue and Support	 1,555,911	 (53,771)	 1,502,140
 Expenses			
Program expenses	1,089,181	-	1,089,181
Management services	286,757	-	286,757
Fundraising expenses	<u>51,731</u>	<u>-</u>	<u>51,731</u>
 Total Expenses	 <u>1,427,669</u>	 <u>-</u>	 <u>1,427,669</u>
 Change in Net Assets	 128,242	 (53,771)	 74,471
 Net assets at beginning of year	 <u>1,282,998</u>	 <u>53,771</u>	 <u>1,336,769</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,411,240</u>	 <u>\$ -</u>	 <u>\$ 1,411,240</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
State & county grants	\$ -	\$ 1,303,840	\$ 1,303,840
Social Security support	-	67,491	67,491
Other grants	-	5,000	5,000
Regional gathering (net)	101,343	-	101,343
Contributions	74,536	315,000	389,536
Miscellaneous	7,043	-	7,043
Investment income	17,631	-	17,631
Released from restrictions	<u>1,637,560</u>	<u>(1,637,560)</u>	<u>-</u>
 Total Revenue and Support	 1,838,113	 53,771	 1,891,884
Expenses			
Program expenses	1,053,205	-	1,053,205
Management services	254,071	-	254,071
Fundraising expenses	<u>62,133</u>	<u>-</u>	<u>62,133</u>
 Total Expenses	 <u>1,369,409</u>	 <u>-</u>	 <u>1,369,409</u>
 Change in Net Assets	 468,704	 53,771	 522,475
 Net assets at beginning of year	 <u>814,294</u>	 <u>-</u>	 <u>814,294</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,282,998</u>	 <u>\$ 53,771</u>	 <u>\$ 1,336,769</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u> <u>Expenses</u>	<u>Management</u> <u>& General</u> <u>Expenses</u>	<u>Fund-</u> <u>raising</u> <u>Expenses</u>	<u>Total</u>
Expenses				
Personnel Expenses				
Payroll	\$ 681,397	\$ 179,680	\$ 40,572	\$ 901,649
Payroll taxes	53,734	14,282	-	68,016
Taxes-workers' compensation	15,301	-	-	15,301
Employee benefits	<u>71,403</u>	<u>24,256</u>	<u>-</u>	<u>95,659</u>
Total Personnel Expenses	821,835	218,218	40,572	1,080,625
Allowances	7,200	-	-	7,200
Bank fees	-	791	7,729	8,520
Computer / technology expense	3,841	1,055	-	4,896
Conferences	26	-	-	26
Depreciation	34,888	-	-	34,888
Dues & subscriptions	28,750	6,718	-	35,468
Food	34,660	-	-	34,660
Insurance	4,345	1,564	380	6,289
Licenses & fees	7,159	-	-	7,159
Medical expense	11,563	-	-	11,563
Maintenance	29,810	-	-	29,810
Miscellaneous	200	803	3,050	4,053
Office expense	-	3,419	-	3,419
Postage	-	652	-	652
Professional fees	46,770	28,255	-	75,025
Lease-equipment	-	6,152	-	6,152
Rent	-	15,900	-	15,900
Travel expense	3,279	-	-	3,279
Security	1,333	-	-	1,333
Supplies	6,851	-	-	6,851
Telephone	7,121	3,230	-	10,351
Taxes-property	4,918	-	-	4,918
Utilities	29,077	-	-	29,077
Training	988	-	-	988
Transportation	<u>4,567</u>	<u>-</u>	<u>-</u>	<u>4,567</u>
Total Expenses	<u>\$ 1,089,181</u>	<u>\$ 286,757</u>	<u>\$ 51,731</u>	<u>\$ 1,427,669</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Expenses</u>	<u>Management Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Related Costs				
Salaries	\$ 737,850	\$ 157,362	\$ 47,241	\$ 942,453
Employee benefits	64,561	13,623	4,134	82,318
Taxes-workers' compensation	-	(7,745)	-	(7,745)
Payroll taxes	<u>53,271</u>	<u>11,241</u>	<u>3,411</u>	<u>67,923</u>
Total Salaries and Related Costs	855,682	174,481	54,786	1,084,949
Allowances	7,200	-	-	7,200
Bank fees	-	-	3,968	3,968
Computer / technology expense	1,843	7,715	-	9,558
Conferences	380	102	-	482
Depreciation	31,625	-	-	31,625
Dues & subscriptions	29,436	4,936	-	34,372
Food	39,832	-	-	39,832
Insurance	6,354	1,658	503	8,515
Licenses & fees	5,074	-	-	5,074
Medical expense	16,310	-	-	16,310
Maintenance	8,762	-	-	8,762
Miscellaneous	4,113	3,427	2,592	10,132
Office expense	-	5,469	-	5,469
Postage	-	492	-	492
Professional fees	-	32,766	-	32,766
Lease-equipment	4,438	937	284	5,659
Rent	-	16,156	-	16,156
Travel expense	-	2,643	-	2,643
Security	685	-	-	685
Supplies	8,181	-	-	8,181
Telephone	705	3,289	-	3,994
Taxes	149	-	-	149
Utilities	25,765	-	-	25,765
Training	2,787	-	-	2,787
Transportation	<u>3,884</u>	<u>-</u>	<u>-</u>	<u>3,884</u>
Total Expenses	<u>\$ 1,053,205</u>	<u>\$ 254,071</u>	<u>\$ 62,133</u>	<u>\$ 1,369,409</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 74,471	\$ 522,475
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	34,888	31,625
(Gains) on sales of		
Fixed Assets	(50,027)	-
Investments	(30,699)	(13,267)
(Increase) Decrease in Operating Assets:		
Accounts receivable	(23,765)	(39,376)
Prepays	-	8,673
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(11,726)	1,990
Payroll taxes	(61)	(1,254)
Accrued liabilities	(14,792)	(8,133)
Total Adjustments	<u>(96,182)</u>	<u>(19,742)</u>
Net Cash (Used In) Provided By Operating Activities	(21,711)	502,733
Cash Flows From Investing Activities		
Proceeds from sale of fixed asset	89,336	-
Collection of long term receivable	2,110	1,939
(Purchase) of investments	(14,285)	-
(Purchase) of property and equipment	<u>(362,193)</u>	<u>(261,230)</u>
Net Cash (Used in) Investing Activities	(285,032)	(259,291)
Cash Flows From Financing Activities		
Net Cash Provided By Financing Activities	<u>-</u>	<u>-</u>
Net (Decrease) Increase In Cash and Cash Equivalents	(306,743)	243,442
Cash and Cash Equivalents at Beginning of Period	<u>585,853</u>	<u>342,411</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 279,110</u>	<u>\$ 585,853</u>
Supplemental information		
The amount of interest paid on all indebtedness was	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements

L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1- Description of Organization

- A. Purpose- L'Arche Cleveland, Inc. (L'Arche) is a not for profit, incorporated, faith-based community/agency which provides homes and services to adults with developmental disabilities. Individuals with and without developmental disabilities create home and shared life together in this intentional community through relationships of mutuality. The principal sources of public support for the organization are the Ohio Department of Developmental Disabilities and the Cuyahoga County Board of Developmental Disabilities. These organizations stipulate how the monies they provide may be used.
- B. Tax Status- The organization is tax exempt under Section 501 (c) (3) of the Internal Revenue Code.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' guide for Not-For-Profit Organizations.
- B. Accrual Basis- L'Arche records transactions on an accrual basis.
- C. Statements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and Accounting Standards Update (ASU)

ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, requires a not-for-profit (NFP) to present on the face of the statement of financial position amounts for two classes of net assets (without donor restrictions and with donor restrictions) rather than the previously required three classes. The amendments also enhance disclosures about the amount and purposes of board designations, appropriations, and similar actions and qualitative and quantitative information that communicates how an NFP manages its liquid resources available to meet cash needs within one year of the statement of financial position date. Additional disclosures are required surrounding the amounts of expenses by both their natural classification and the method(s) used to allocate costs among program and support functions.

As required by ASU No. 2016-14, contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As of December 31, 2021 and 2020 net assets with donor restrictions were \$0 and \$53,771. As of December 31, 2020, the net assets with donor restrictions were included in cash and cash equivalents and restricted by expenditure for the Eastlawn project. During fiscal year ended December 31, 2020, \$1,637,560 net assets were released from restrictions, all of which were released by expenditure.

See Auditors' Report

L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 2- Summary of Significant Accounting Policies (continued)

During fiscal year ended December 31, 2021, \$1,371,290 net assets were released from restrictions, all of which were released by expenditure. There were no net assets released by time for fiscal years ended December 31, 2021 or 2020.

L'Arche complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to donor restricted net assets. For service contracts, if any, L'Arche complies with FASB Topic 606, Revenue from Contracts with Customers.

- D. Depreciation-Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 6- Property and Equipment)
- E. Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- F. Donated Goods and Services- L'Arche complies with FASB ASC 958-605, Revenue recognition for donated goods and services. In accordance with accounting principles generally accepted in the United States of America, only those services which require a specialized skill and would have been purchased had the service not been donated are recorded as an in-kind donations and corresponding expenses.

No donated goods were received during fiscal years ended December 31, 2021 or 2020. No amounts have been reflected in the statement of activities for donated services for 2021 or 2020.

- G. L'Arche complies with FASB ASC 958-320, which requires that investments in debt securities and some equity securities be reported at fair market value, with gains and losses included in the statement of activities and changes in net assets. The standard also established rules for reporting losses on investments held because of a donor's stipulation to invest a gift in perpetuity or for a specified term.
- H. L'Arche complies with FASB ASC 740- Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. Management believes that there are no uncertain tax positions. L'Arche's tax years that remain subject to examination by the Internal Revenue Service are 2018 and forward.

See Auditors' Report

L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 2- Summary of Significant Accounting Policies (continued)

- I. Recently issued pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by L'Arche as of the specified effective date. Unless otherwise discussed, L'Arche believes that the impact of other recently issued accounting pronouncements will not have a material impact on its financial position, statements of activities and changes in net assets, and cash flows, or do not apply to the organization's operations.
- J. Advertising Costs- L'Arche expenses advertising costs when incurred.
- K. Investments- Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, L'Arche initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation, they are recorded at estimated fair value on the date of the donation.

Subsequent valuation- L'Arche complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, L'Arche values the investment at lower of cost or management's estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For L'Arche the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1).

NOTE 3- Cash

There are no bank restrictions on cash accounts. All funds are held in federally-insured institutions. Cash includes all highly-liquid debt instruments purchased with an original maturity of three months or less. Cash balances may, at times, exceed the Federal Deposit Insurance Corporation limit. L'Arche has not experienced any losses and believes that it is not exposed to any significant credit risk related to cash.

NOTE 4- Grants and Accounts Receivable

L'Arche considers all receivables to be fully collectible, based upon review of specific receivables; accordingly, no allowance for doubtful accounts is required.

See Auditors' Report

L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 5- Investments

As discussed in Note 2(G), L'Arche complies with FASB 958-320, which requires that investments in equity securities with a readily determined fair market value and all investments in debt securities be measured at fair value in the statement of financial position. Gains or losses are included in the statement of activities and change in net assets. The cost and value are as follows:

Unrestricted Investments held at Charles Schwab:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Money market funds	\$ 7,585	\$ 7,585	\$ 40,002	\$ 40,002
Bond funds	91,568	91,983	61,687	65,555
Equity Funds	<u>94,725</u>	<u>124,396</u>	<u>59,758</u>	<u>73,423</u>
Unrestricted Investments	<u>\$193,878</u>	<u>\$223,964</u>	<u>\$161,427</u>	<u>\$178,980</u>

The intention of the Board is to observe the guidelines of a five percent (5%) spending policy, multiplied by the average market value of the fund for the twelve consecutive calendar quarters ending the previous June 30th. The principal of the fund may be distributed upon the affirmative vote of a majority of the voting members of the executive committee. Investment fees paid during 2021 and 2020 were \$0 and \$0. During fiscal years ended December 31, 2021 and 2020, the Board elected not to transfer any funds and allow the investments to grow.

NOTE 6- Property and Equipment

Property and equipment are stated at cost, if purchased or at the fair market value on the date of donation, if donated. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Residence	15 and 27.5 Years
Furniture and fixtures	7 Years
Equipment	5 Years
Vehicle	5 Years

Maintenance and Repairs- Costs of maintenance and repairs are charged to expense. Costs of renewals and betterments, where significant in amount, are capitalized. L'Arche owns three properties which are used as residences for its core members.

- East 127th Street, Cleveland, Ohio
- Rochelle Drive, Maple Heights, Ohio (Sold in 2021)
- 846 Eastlawn, Highland Heights, Ohio
- Colony Drive (Purchased during 2021)

See Auditors' Report

L'ARCHE CLEVELAND, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2021 AND 2020

Note 6-Property and Equipment (Continued)

Operations of L'Arche are also conducted at three additional locations in the Cleveland area, which are not owned or leased by L'Arche. These are residences where the core members pay the rental expenses directly to the property owners.

NOTE 7- Long term receivable

During fiscal year 2019, L'Arche sold one of its houses and accepted a long-term loan receivable as payment. The loan receivable requires monthly payments of \$573 and is secured by the property located at Monticello. Interest is calculated at 5%.

NOTE 8- Other

In 2012, L'Arche received a donation of a cemetery plot. The plot is valued at management's estimate of the net proceeds L'Arche will receive when the plot is sold.

NOTE 9- Income Taxes

L'Arche is a not-for-profit organization exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reported in the financial statements.

NOTE 10-Operating Leases

- A. Office space at the Shaker West Professional Building, located at 11811 Shaker Boulevard, Cleveland, Ohio. The lease, which requires monthly payments of \$1,471, expires May 2023.
- B. A copier, which requires monthly payments of \$445 through February 2025.

The following is a schedule of the future minimum lease payments:

2022	\$ 17,108
2023	12,694
2024	5,340
2025	890
2026	-
Thereafter	-
	<u>\$ 36,032</u>

See Auditors' Report

L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2021 AND 2020

NOTE 11- Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of functional expenses. Expenses are charged to each program as incurred. Minor incidental, expenses are allocated among the programs and supporting services benefited based on management estimates.

NOTE 12- Contingencies

Part of the services L'Arche provides to its core members is assistance with the management of their financial affairs. Although L'Arche is insured against the possibility of mismanagement of core member funds, L'Arche is responsible for the insurance deductible of \$10,000.

NOTE 13- Retirement Plan

L'Arche terminated its retirement plan during fiscal year ended December 31, 2018. L'Arche has reinstated the plan effective January 1, 2022.

NOTE 14- Response to COVID-19

The global and domestic response to the COVID-19 outbreak continues to rapidly evolve. Thus far, certain responses to the outbreak have included mandates from Federal, state and/or local authorities that require temporary closure of or imposed limitations on the operation of certain non-essential businesses. Further, the outbreak and associated responses could impact L'Arche Cleveland and present uncertainty with respect to potential changes in future operations and funding sources

The "Coronavirus Aid Relief and Economic Security (CARES) Act" was signed into law in March 2020. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of the employer portion of Social Security payments. L'Arche Cleveland continues to examine the impacts that the CARES Act may have on its operations.

NOTE 15-Liquid Assets Available for General Expenditures

L'Arche's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. All of the current assets, shown on L'Arche's Statement of Financial Position are available for general expenditures within one year of the date of the financial statements, with the exception of current assets restricted or designated for specific purposes, as described in Note 2(C)-Summary of Significant Accounting Policies. Of course, receivables are subject to implied time restrictions but are expected to be collected within one year.

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L'ARCHE CLEVELAND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 16- Subsequent Events

Events that occur after the statement of position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. L'Arche Cleveland has evaluated subsequent events through July 27, 2022, which is the date the financial statements were available to be issued. No events have occurred that require adjustment to or disclosure in these financial statements. Further, although the national crisis related to the COVID-19 pandemic has altered the services provide by L'Arche Cleveland, L'Arche Cleveland believes it has the resources and means to continue to its programing during fiscal year 2022 and beyond.

See Auditors' Report