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CERTIFIED PUBLIC ACCOUNTANTS

L'Arche Wavecrest

Financial Statements

For the Year Ended December 31, 2015

L'Arche Wavecrest

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For the Year Ended December 31, 2015

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211 S. GLENDORA AVE., SUITE A • GLENDORA, CALIFORNIA 91741 • (626) 963-0297 • (626) 914-2260

Board of Directors
L'Arche Wavecrest
Orange, California

We have reviewed the accompanying statement of financial position of L'Arche Wavecrest as of December 31, 2015 and the related statements of activity, changes in net assets, and cash flows for the year then ended. A review includes primarily of applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are not material modifications that should be made to the financial statements. We believe that the result of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Davis & Deal

Glendora, California
August 4, 2016

L'Arche Wavecrest

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Current Assets:	
Cash and cash equivalents (Note 2)	$ 291,418
Receivables and prepaid expenses	3,066
TOTAL CURRENT ASSETS	294,484
Property and Equipment: (Notes 2, 3, 5)	
Cost	1,018,559
Accumulated depreciation	(114,748)
	903,811
Other Assets:	
Loan costs, net of amortization of $169 (Note 2)	3,220
TOTAL ASSETS	$ 1,201,515

LIABLILITIES AND NET ASSETS

Current Liabilities:	
Current portion of notes payable (Note 4)	$ 10,518
Accrued expenses	5,344
TOTAL CURRENT LIABILITIES	15,862
Long-term Liabilities	
Notes payable less current portion (Note 4)	455,784
TOTAL LIABILITIES	471,646
Net Assets:	
Unrestricted	729,869
TOTAL LIABILITIES AND NET ASSETS	$ 1,201,515

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest

STATEMENT OF ACTIVITY

For the Year Ended December 31, 2015

	Unrestricted
Revenue, Gains and Support: (Note 2)	
Donations	$ 124,791
Community grants	15,000
Foundations and corporations	226,810
In-Kind donations	5,228
Government agency	124,232
Interest income	130
Reimbursed expenses	515
Total Revenues, Gains and Support	496,706
Expenses:	
Program services	201,229
Supporting Services:	
General and administrative expenses	49,518
Fundraising expenses	27,074
	76,592
Total Expenses	277,821
Increase in net assets	$ 218,885

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest

STATEMENT OF CHANGES IN NET ASSETS

For the Year ended December 31, 2015

	Unrestricted
Balance - December 31, 2014	$ 510,984
Change in net assets	218,885
Balance - December 31, 2015	$ 729,869

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

Cash Flow From Operating Activities:	
Unrestricted contributions	$ 124,791
Government agency income	124,232
Community grants, foundations and corporations	241,810
Other reveunes	515
Interest income	130
Payment of compensation	(120,277)
Payment of interest	(31,247)
Payment of other program service expenses	(66,057)
Payment of other support service expenses	(23,995)
Net cash inflow from operating activities	249,902
Cash Flow From Investing Activities:	
Capital expenditures	(10,122)
Net cash outflow from investing activities	(10,122)
Cash Flow From Financing Actitivies:	
Principal payments on bank loan	(106,550)
Net cash outflow from financing activities	(106,550)
Net increase in cash	133,230
Cash balance - beginning of year	158,188
Cash balance - end of year	$ 291,418

Reconciliation of cash flow from operations
to change in net assets - see Note 7

See Accountants' Review Report
and Notes to Financial Statements

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

Note 1 – Nature of the Organization:

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

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

Note 2 – Summary of Significant Accounting Policies:

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

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

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

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

As of December 31, 2015, there were no temporarily or permanently restricted net assets.

SUPPORT, REVENUE AND EXPENSES

Undesignated contributions are recorded as revenue when cash is received or ownership to donated assets is transferred. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. All other revenues are recorded when earned. Expenses are recorded as incurred in accordance with the accrual basis of accounting.

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

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

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

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

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

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

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

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

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

Note 3 – Property and Equipment:

Land, buildings, and equipment consist of the following:

Land	$	600,980
Buildings		259,020
Building improvements		112,974
Vehicles		35,731
Office equipment		8,944
Computer equipment		910
		1,018,559
Less accumulated depreciation		(114,748)
	$	903,811

Depreciation expense of $17,305 is reflected in the statement of activity.

Note 4 – Notes Payable:

Mortgage payable – secured by Maplewood property, property, payable $2,707 per month including interest at 4.75%, matures August 2025	$ 466,302
Less current portion	(10,518)
Long-term portion	$ 455,784

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

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

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

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

L'Arche Wavecrest
NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

Note 4 – Notes Payable: (continued)

Principal maturities for the next five years are as follows:

2016	$ 10,518
2017	11,029
2018	11,564
2019	12,126
2020	12,715
Thereafter	408,350
	$ 466,302

Note 5 – Asset Impairment:

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

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

Change in net assets for the year ended	$ 218,885
Adjustments for non-cash transaction:	
Depreciation and amortization	26,376
In-Kind donations	(5,228)
Adjustments to reconcile:	
Decrease in receivable and prepaid	11,849
Decrease in accounts payable	(1,980)
Net cash inflow from operating activities	$ 249,902

See Accountants' Review Report

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Accountants' Report on Supplemental information

Board of Driectors
L'Arche Wavecrest
Orange, California

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying Schedule of Functional Expenses is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Glendora, California
August 4, 2016

L'Arche Wavecrest

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services	Administrative	Fundraising	TOTAL
Compensation	$ 81,611	$ 19,333	$ 19,333	$ 120,277
Payroll Taxes	7,473	1,770	1,770	11,013
Employee benefits	5,931	1,405	1,405	8,741
Payroll processing fees	-	2,539	-	2,539
Household expenses	2,594	-	-	2,594
Food	9,646	-	-	9,646
Marketing	704	-	2,795	3,499
Maintenance	5,926	310	-	6,236
Mortgage interest	31,247	-	-	31,247
Utilities	5,370	-	-	5,370
Community Enrichment	8,821	-	-	8,821
Insurance-Auto	1,067	-	-	1,067
Insurance-Property	2,991	-	-	2,991
Insurance-Workers' Comp	3,542	1,771	1,771	7,084
Insurance-Directors & O	-	495	-	495
Auto expenses	1,722	-	-	1,722
Team meetings	57	-	-	57
Compliance	602	602	-	1,204
Subscriptions	140	-	-	140
Organizational dues	11,234	-	-	11,234
Office expenses	360	1,630	-	1,990
Printing	716	716	-	1,432
Postage	-	786	-	786
Computer software	-	235	-	235
Bank service fees	-	262	-	262
Property taxes	170	-	-	170
Contributions	2,000	-	-	2,000
Professional fees	-	8,593	-	8,593
Amortization	-	9,071	-	9,071
Depreciation	17,305	-	-	17,305
Total Expenses	$ 201,229	$ 49,518	$ 27,074	$ 277,821

See Accountants' Review Report
and Notes to Financial Statements