

THE ARC OF THE GLADES

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019
TOGETHER WITH REPORT OF INDEPENDENT ACCOUNTANT

**THE ARC OF THE GLADES
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2019**

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Independent Auditor's Report

Board of Directors
The ARC of The Glades
Belle Glade, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of The ARC of The Glades (a nonprofit organization), which comprise the statement of financial position as of September 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 of 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of The Glades as of September 30, 2019, and the changes 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.

Report on Summarized Comparative Information

I have previously audited The ARC of the Glades' September 30, 2018, and my report dated January 28, 2019, expressed an unmodified audit opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

As discussed in Note 8, the Organization adopted ASU no 2016-14, presentation of Financial Statements of Not for Profit Entities. My opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 20, 2020, on my consideration of The ARC of The Glades' internal control over financial reporting and on my 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 my 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 The ARC of The Glades' internal control over financial reporting and compliance.



Kathleen M. Shafer, CPA
West Palm Beach, Florida
April 20, 2020

THE ARC OF THE GLADES
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FROM 2018

	FUNDS		2019	2018
	WITHOUT DONOR	WITH DONOR		
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>		
			<u>TOTAL</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash	\$ 305,739	\$ 0	\$ 305,739	\$ 272,411
Grants & Other Receivables	59,604	26,250	85,854	94,217
Deposits	0	0	0	10,197
Prepaid Expenses	17,125	0	17,125	0
Accrued Interest Receivable	0	0	0	4,781
Mortgage Receivable	0	0	0	103,710
Buildings, Land & Equipment - Net	231,185	0	231,185	174,574
Total Assets	\$ 613,653	\$ 26,250	\$ 639,903	\$ 659,890
 <u>LIABILITIES</u>				
Accounts Payable	\$ 14,395	\$ 0	\$ 14,395	\$ 8,514
Accrued Expenses	87,212	0	87,212	89,783
Total Liabilities	101,607	0	101,607	98,297
 <u>NET ASSETS</u>	 512,046	 26,250	 538,296	 561,593
Total Liabilities & Net Assets	\$ 613,653	\$ 26,250	\$ 639,903	\$ 659,890

**THE ARC OF THE GLADES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FROM 2018**

	FUNDS		2019	2018
	WITHOUT DONOR	WITH DONOR		
	RESTRICTIONS	RESTRICTIONS	TOTAL	TOTAL
SUPPORT & REVENUE				
Grants & Contributions	\$ 827,261	\$ 26,250	\$ 853,511	\$ 910,856
Interest	96	0	96	10,439
Other Revenues	1,729	0	1,729	820
Loss on Investment	(2,900)	0	(2,900)	0
Net Assets Released From Restriction	109,917	(109,917)	0	0
Total Revenue	936,103	(83,667)	852,436	922,115
EXPENSES				
Program Services	788,462	0	788,462	774,524
Support Services				
General & Administrative	60,271	0	60,271	74,219
Fund Raising	27,000	0	27,000	26,062
Total Support Services	87,271	0	87,271	100,281
Total Expenses	875,733	0	875,733	874,805
CHANGE IN NET ASSETS	60,370	(83,667)	(23,297)	47,310
BEGINNING NET ASSETS	451,676	109,917	561,593	514,283
ENDING NET ASSETS	\$ 512,046	\$ 26,250	\$ 538,296	\$ 561,593

Read Accompanying Notes

**THE ARC OF THE GLADES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FROM 2018**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>2019 TOTAL</u>	<u>2018 TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change In Net Assets	60,370	(83,667)	(23,297)	47,310
Adjustments to Reconcile Change In Net Assets To Net Cash From Operations:				
Depreciation	34,790	0	34,790	24,304
(Increase)/Decrease In Receivables	(19,387)	27,750	8,363	11,592
(Increase)/Decrease In Deposits	10,197	0	10,197	(10,197)
(Increase)/Decrease In Prepaid Expenses	(17,125)	0	(17,125)	0
(Increase)/Decrease In Accrued Interest	4,781			
Decrease in Mortgage Receivable	103,710	0	103,710	473
Increase/(Decrease) In Accounts Payable	5,881	0	5,881	7,043
Increase/(Decrease) In Accrued Expenses	(2,571)	0	(2,571)	6,066
Net Cash Provided from Operating Activities	180,646	(55,917)	119,948	86,591
Cash Flows From Financing Activities:				
Increase In Debts	0	0	0	0
Cash Flows From Investing Activities:				
Increase in Fixed Assets	(91,401)	0	(91,401)	(33,500)
Net Increase (Decrease) In Cash	89,245	(55,917)	28,547	53,091
Beginning Balance of Cash & Cash Equivalents	216,494	55,917	272,411	219,320
Ending Balance of Cash & Cash Equivalents	<u>\$ 305,739</u>	<u>\$ 0</u>	<u>\$ 305,739</u>	<u>\$ 272,411</u>

Read Accompanying Notes

**THE ARC OF THE GLADES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FROM 2018**

<u>EXPENSES</u>	<u>Program Services</u>	<u>General & Admin</u>	<u>Fund Raising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Affiliation Fees & Dues	\$ 12,488	\$ 0	\$ 0	\$ 12,488	\$ 9,464
Bad Debt	0	0	0	0	4,442
Depreciation	31,311	3,479	0	34,790	24,304
Fuel & Oil	16,325	320	0	16,645	16,910
Insurance	42,306	2,227	0	44,533	50,863
Maintenance	13,778	3,444	0	17,222	13,890
Office	954	265	0	1,219	3,407
Payroll & Employee Exp.	567,297	35,169	6,938	609,404	630,314
Professional Fees	3,318	4,700	17,955	25,973	30,837
Program Supplies	48,189	0	0	48,189	45,139
Property Tax	2,551	638	0	3,189	3,269
Telephone	4,353	1,088	2,107	7,548	7,258
Travel & Conference	11,132	0	0	11,132	7,926
Utilities	16,408	4,102	0	20,510	19,241
Vehicle Maintenance	18,052	0	0	18,052	6,708
Other	0	4,839	0	4,839	833
Total Expenses	<u>\$ 788,462</u>	<u>\$ 60,271</u>	<u>\$ 27,000</u>	<u>\$ 875,733</u>	<u>\$ 874,805</u>

Read Accompanying Notes

THE ARC OF THE GLADES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. General Description of Activities and Significant Accounting Policies:

The ARC of The Glades, formerly Glades Area Association for Retarded Citizens, Inc., (the Organization) was incorporated in July 1977 as a not-for-profit Florida corporation under the provisions of Chapter 617 of the Florida Statutes. The Organization is located in Palm Beach County. The Organization's mission is to partner with people living with developmental disabilities for equal participation and inclusion in the communities of western Palm Beach County known as "The Glades". The Organization's vision is the equality of opportunity and equality of choice for people living with disabilities. The Organization is funded primarily by grants from federal, state and local governmental agencies.

The significant accounting policies that follow are presented to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses recorded when incurred.

Promises to Give

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Summarized Financial Information for 2018

The financial information for the year ended September 30, 2018, presented for comparative purposes, is not intended to be complete financial statement presentation. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

THE ARC OF THE GLADES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. General Description of Activities and Significant Accounting Policies, Continued:

Property and Equipment

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restriction contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restriction contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies with donor restriction net assets to without donor restriction net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years.

Grant and Contract Receivable/Revenue

Contributions and grants, including unconditional promises to give, are recorded as revenue in the period the promise is received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant and contract revenue are recognized when the allowable costs, as defined by the individual grants and contracts, are incurred and the unit of service has been performed. Grants and contracts receivable at year-end represent units of service performed, which have not yet been reimbursed by the granting agency. The Organization, based on its experience, considers the grant or contract receivable to be fully collectible, therefore, no allowance for doubtful accounts has been provided.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants or contracts.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Contributions

Contributions received are recorded as with donor restriction or without donor restriction net assets depending on the existence or nature of any donor restrictions.

THE ARC OF THE GLADES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the three years ending 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they are filed.

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.

Functional Expenses

Expenses are allocated on a functional basis among its various programs and supporting services based on their proportionate share of total expenses as determined by management.

2. Temporary Restrictions on Net Assets:

As of September 30, 2019, the Organization had temporarily restricted net assets of \$26,250 for economic, employment and housing services.

3. Grant and Contract Receivable:

Management periodically reviews the grants and other receivable balances and provides an allowance for accounts which may be uncollectible. At September 30, 2019, management considers all of the receivables to be collectible within the current accounting period; therefore, an allowance for doubtful accounts has not been recorded.

4. Property and Equipment:

The following is a schedule of property and equipment at September 30, 2019:

Building & Property	\$ 555,480
Vehicles	257,651
Furniture & Equipment	84,417
Land	<u>25,000</u>
	922,548
Less Accumulated Depreciation	<u>(691,363)</u>
	<u>\$ 231,185</u>

Depreciation expense for the year ended September 30, 2019 was \$34,790.

THE ARC OF THE GLADES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

5. Mortgage Note Payable:

A previous mortgage receivable was refinanced in May 2013 for the amount of \$113,620. The mortgage terms require monthly payments of \$800 beginning May 2013, for a total of 301 payments. The mortgage bears an interest rate of 6.95% per annum. The mortgage was secured by the property located at 601 W Canal St N, Belle Glade, FL 33430.

The mortgage receivable was in default, however during the year the secured property was sold and the proceeds were used to settle the mortgage in full, at a loss of \$2,900.

6. Concentration of Risks:

The Organization receives a significant percentage of its funding from grantor agencies and local governments. A significant funding policy change at any of these agencies could have an adverse effect on the Organization's operations.

7. Retirement Plan:

The Organization sponsors a 401(k) plan administered by Mutual of America. The Organization participates in a contributing and matching plan for its employees. Employees are eligible to participate after one year of continuous employment.

8. New Accounting Pronouncement:

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Organization to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories; net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The Organization adopted ASU 2016-14 for its fiscal year ending September 30, 2019 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation of this ASU did not have a material effect on amounts previously presented.

9. Availability and Liquidity:

Financial assets of cash \$305,739 and account receivables \$85,854 for financial assets available of \$391,593 to meet expenses over next twelve months. As part of the Organization's liquidity management plan, the Organization structures its assets to be available as general expenditures, liabilities and other obligations become due.

10. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events April 20, 2020, the date the financial statements were available to be issued.

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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

Board of Directors
The ARC of The Glades
Belle Glade, Florida

I have audited, 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, the financial statements of The ARC of The Glades (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated April 20, 2020.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered The ARC of The Glades' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ARC of The Glades' internal control. Accordingly, I do not express an opinion on the effectiveness of The ARC of The Glades' 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 The ARC of The Glades' financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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, appearing to read 'Kathleen M. Shafer'.

Kathleen M. Shafer, CPA.
West Palm Beach, FL
April 20, 2020