

THE ARC OF PALM BEACH COUNTY, INC.
REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

THE ARC OF PALM BEACH COUNTY, INC.

Table of Contents

	<u>Page</u>
Report of independent auditors	1–2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statements of cash flows	5
Statement of functional expenses – 2021	6–8
Statement of functional expenses – 2020	9–11
Notes to financial statements	12–23
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	24–25

Independent Auditors' Report

To the Board of Trustees
The Arc of Palm Beach County, Inc.
Riviera Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Arc of Palm Beach County, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

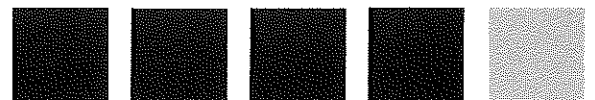
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Palm Beach County, Inc. as of September 30, 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.



Other Matter

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of The Arc of Palm Beach County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc of Palm Beach County, Inc.'s internal control over financial reporting and compliance.

Templeton & Company, LLP

West Palm Beach, Florida
December 20, 2021

THE ARC OF PALM BEACH COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,072,579	\$ 2,179,993
Accounts receivable, net of allowance for doubtful accounts	377,508	498,364
Grants receivable	-	93,056
Current portion of unconditional promises to give, net (Note 4)	329,033	397,366
Prepaid expenses and other current assets	<u>204,193</u>	<u>211,877</u>
Total current assets	3,983,313	3,380,656
Property and equipment, net (Note 5)	2,999,769	2,830,864
Unconditional promises to give, net of current portion (Note 4)	-	69,785
Other assets	<u>36,081</u>	<u>34,502</u>
Total assets	<u>\$ 7,019,163</u>	<u>\$ 6,315,807</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Lines of credit (Note 7)	\$ 282,847	\$ 486,055
Current portion of long-term debt	36,738	1,121,789
Accounts payable	99,917	74,166
Accrued expenses	340,929	297,034
Deferred revenue	25,135	30,450
Current portion of settlement - Pension Benefit Guaranty Corporation	<u>44,631</u>	<u>44,631</u>
Total current liabilities	830,197	2,054,125
Settlement - Pension Benefit Guaranty Corporation, net of current portion (Note 8)	706,541	702,602
Long-term debt, net of current portion (Note 6)	<u>119,570</u>	<u>156,307</u>
Total liabilities	1,656,308	2,913,034
Commitments and contingencies (Notes 14 and 15)		
Net assets:		
Without donor restrictions	3,415,072	1,947,687
With donor restrictions	<u>1,947,783</u>	<u>1,455,086</u>
Total net assets	<u>5,362,855</u>	<u>3,402,773</u>
Total liabilities and net assets	<u>\$ 7,019,163</u>	<u>\$ 6,315,807</u>

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2021 and 2020

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Without		Total	With		Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
Operating:						
Support:						
Contributions	\$ 383,836	\$ 200,000	\$ 583,836	\$ 244,171	\$ -	\$ 244,171
Capital Campaign contributions	-	310,635	310,635	-	59,254	59,254
Town of Palm Beach United Way	-	197,600	197,600	-	197,600	197,600
Special events, net	58,232	1,247	59,479	29,541	1,953	31,494
Fees and grants	5,496,779	466,909	5,963,688	5,841,588	61,171	5,902,759
Revenue:						
Program service fees (including Medwaiver and Medicaid)	1,645,165	-	1,645,165	1,577,106	-	1,577,106
Interest and other income, net	68,221	1,580	69,801	26,246	849	27,095
Net assets released from restrictions (Note 9)	685,274	(685,274)	-	702,585	(702,585)	-
Total operating support and revenue	8,337,507	492,697	8,830,204	8,421,237	(381,758)	8,039,479
Expenses:						
Program services:						
Career transition/employment services	582,124	-	582,124	513,301	-	513,301
Recreation	257,489	-	257,489	333,493	-	333,493
Respite services	472,229	-	472,229	564,741	-	564,741
Potentials School	798,027	-	798,027	910,298	-	910,298
Community inclusion	83,575	-	83,575	79,470	-	79,470
Family support services	34,008	-	34,008	34,612	-	34,612
Early intervention programs	2,741,788	-	2,741,788	2,754,951	-	2,754,951
Residential services	1,475,235	-	1,475,235	1,482,800	-	1,482,800
Volunteer services	158,789	-	158,789	144,431	-	144,431
Supporting services:						
Fundraising, management and general	1,304,798	-	1,304,798	1,052,950	-	1,052,950
Total expenses	7,908,062	-	7,908,062	7,871,047	-	7,871,047
Change in net assets - operating	429,445	492,697	922,142	550,190	(381,758)	168,432
Non operating:						
Loss on disposal of property and equipment	-	-	-	(10,984)	-	(10,984)
Gain on forgiveness of Paycheck Protection Program Loan (Note 6)	1,086,510	-	1,086,510	-	-	-
Adjustment to discount on settlement with PBGC	(48,570)	-	(48,570)	(48,330)	-	(48,330)
Change in net assets	1,467,385	492,697	1,960,082	490,876	(381,758)	109,118
Net assets, beginning of year	1,947,687	1,455,086	3,402,773	1,456,811	1,836,844	3,293,655
Net assets, end of year	\$ 3,415,072	\$ 1,947,783	\$ 5,362,855	\$ 1,947,687	\$ 1,455,086	\$ 3,402,773

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 1,960,082	\$ 109,118
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	218,514	188,664
Amortization of discount on settlement	48,570	48,330
Loss on disposal of property and equipment	-	10,984
Contribution of in-kind property	(60,883)	-
Gain on forgiveness of Paycheck Protection Program Loan	(1,086,510)	-
(Increase) decrease in operating assets:		
Accounts receivable	120,856	16,230
Grants receivable	93,056	(93,056)
Unconditional promises to give, net	138,118	319,570
Prepaid expenses	(30,588)	(36,542)
Increase (decrease) in operating liabilities:		
Accounts payable	25,751	(25,301)
Accrued expenses	43,895	79,110
Deferred revenue	(5,315)	22,379
Net cash provided by operating activities	1,465,546	639,486
Cash flows from investing activities:		
Purchases of property and equipment	(326,536)	(1,187,141)
(Advances to) collections from Housing	38,272	(104,557)
Increase in other assets	(1,579)	(849)
Net cash used in investing activities	(289,843)	(1,292,547)
Cash flows from financing activities:		
Proceeds from (repayments of) lines of credit	(203,208)	274,696
Settlement payments - Pension Benefit Guaranty Corporation	(44,631)	(44,631)
Proceeds from Paycheck Protection Program Loan	-	1,086,510
Principal repayments of long-term debt	(35,278)	(33,856)
Net cash provided by (used in) financing activities	(283,117)	1,282,719
Net increase in cash and cash equivalents	892,586	629,658
Cash and cash equivalents, beginning of year	2,179,993	1,550,335
Cash and cash equivalents, end of year	\$ 3,072,579	\$ 2,179,993
Supplemental cash flow disclosure:		
Interest paid	\$ 17,205	\$ 22,464

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - SUMMARY
For the Year Ended September 30, 2021

	Total Program Services (Page 7)	Total Supporting Services (Page 8)	Total Expenses
Salaries	\$ 3,692,646	\$ 1,127,268	\$ 4,819,914
Employee benefits	596,972	170,521	767,493
Payroll taxes	<u>280,735</u>	<u>75,829</u>	<u>356,564</u>
Total salaries and related expenses	4,570,353	1,373,618	5,943,971
Professional fees	202,468	333,171	535,639
Supplies	212,928	54,527	267,455
Telephone	53,688	27,284	80,972
Postage	3,187	3,232	6,419
Occupancy	151,214	8,312	159,526
Utilities	27,570	48,405	75,975
Repairs and maintenance	72,657	26,787	99,444
Printing and promotion	5,304	17,524	22,828
Transportation	36,496	6,898	43,394
Training and meetings	25,742	15,922	41,664
Insurance	90,089	72,319	162,408
Miscellaneous	48,976	165,867	214,843
Interest expense	-	17,205	17,205
Bad debt expense	10,805	-	10,805
Grants to families	-	7,000	7,000
Administrative overhead	<u>1,007,698</u>	<u>(1,007,698)</u>	<u>-</u>
Total expenses before depreciation	6,519,175	1,170,373	7,689,548
Depreciation	<u>84,089</u>	<u>134,425</u>	<u>218,514</u>
Total expenses	<u>\$ 6,603,264</u>	<u>\$ 1,304,798</u>	<u>\$ 7,908,062</u>

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
For the Year Ended September 30, 2021

	Adult Career Education	Recreation	Respite Services	Potentials Charter School	Community Inclusion	Family Support Services	Early Intervention Programs	Residential Services	Volunteer Services	Total Program
Salaries	\$ 272,840	\$ 124,353	\$ 320,560	\$ 325,469	\$ 51,863	\$ 15,331	\$ 1,807,037	\$ 682,959	\$ 92,234	\$ 3,692,646
Employee benefits	36,697	16,346	45,069	58,852	9,552	2,119	282,722	138,884	6,731	596,972
Payroll taxes	21,228	9,711	24,998	25,106	3,991	1,192	133,965	53,461	7,083	280,735
Total salaries and related expenses	330,765	150,410	390,627	409,427	65,406	18,642	2,223,724	875,304	106,048	4,570,353
Professional fees	32,755	6,524	-	127,573	-	1,400	7,750	26,466	-	202,468
Supplies	7,344	20,118	1,178	11,513	4,931	3,273	83,342	75,824	5,405	212,928
Telephone	3,143	772	2,373	4,959	772	-	24,221	16,224	1,224	53,688
Postage	2,005	13	60	132	-	169	679	129	-	3,187
Occupancy	6,123	65	610	16,200	-	319	127,575	53	269	151,214
Utilities	-	-	-	-	-	-	-	27,570	-	27,570
Repairs and maintenance	1,851	10,398	-	331	-	-	-	60,077	-	72,657
Printing and promotion	529	2,020	55	-	63	1,639	465	460	73	5,304
Transportation	1,519	175	9,280	7,375	401	-	13,437	4,309	-	36,496
Training and meetings	1,016	180	1,344	300	-	5,613	15,824	480	985	25,742
Insurance	14,583	14,840	798	21,642	74	-	951	36,734	467	90,089
Miscellaneous	4,448	4,730	1,684	16,434	316	319	8,134	11,528	1,383	48,976
Bad debt expense	1,763	880	1,339	-	-	-	131	6,692	-	10,805
Administrative overhead	157,688	45,699	62,397	167,337	11,612	2,414	235,555	282,061	42,935	1,007,698
Total expenses before depreciation	565,532	256,824	471,745	783,223	83,575	33,788	2,741,788	1,423,911	158,789	6,519,175
Depreciation	16,592	665	484	14,804	-	220	-	51,324	-	84,089
Total expenses	\$ 582,124	\$ 257,489	\$ 472,229	\$ 798,027	\$ 83,575	\$ 34,008	\$ 2,741,788	\$ 1,475,235	\$ 158,789	\$ 6,603,264

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
For the Year Ended September 30, 2021

	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>
Salaries	\$ 782,080	\$ 345,188	\$ 1,127,268
Employee benefits	130,466	40,055	170,521
Payroll taxes	<u>51,671</u>	<u>24,158</u>	<u>75,829</u>
Total salaries and related expenses	964,217	409,401	1,373,618
Professional fees	167,065	166,106	333,171
Supplies	47,212	7,315	54,527
Telephone	19,022	8,262	27,284
Postage	1,294	1,938	3,232
Occupancy	7,409	903	8,312
Utilities	48,405	-	48,405
Repairs and maintenance	26,787	-	26,787
Printing and promotion	5,272	12,252	17,524
Transportation	5,251	1,647	6,898
Training and meetings	14,106	1,816	15,922
Insurance	70,920	1,399	72,319
Miscellaneous	136,689	29,178	165,867
Interest expense	17,205	-	17,205
Grants to families	-	7,000	7,000
Administrative overhead	<u>(1,069,969)</u>	<u>62,271</u>	<u>(1,007,698)</u>
Total expenses before depreciation	460,885	709,488	1,170,373
Depreciation	<u>132,462</u>	<u>1,963</u>	<u>134,425</u>
Total expenses	<u>\$ 593,347</u>	<u>\$ 711,451</u>	<u>\$ 1,304,798</u>

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - SUMMARY
For the Year Ended September 30, 2020

	Total Program Services (Page 7)	Total Supporting Services (Page 8)	Total Expenses
Salaries	\$ 3,909,366	\$ 1,031,663	\$ 4,941,029
Employee benefits	611,619	112,108	723,727
Payroll taxes	<u>291,440</u>	<u>74,024</u>	<u>365,464</u>
Total salaries and related expenses	4,812,425	1,217,795	6,030,220
Professional fees	169,446	192,210	361,656
Supplies	265,431	29,099	294,530
Telephone	53,494	24,081	77,575
Postage	5,073	6,326	11,399
Occupancy	148,960	8,664	157,624
Utilities	25,342	48,615	73,957
Repairs and maintenance	44,283	37,577	81,860
Printing and promotion	3,070	15,804	18,874
Transportation	71,940	5,483	77,423
Training and meetings	31,112	22,225	53,337
Insurance	97,057	91,967	189,024
Miscellaneous	42,562	131,941	174,503
Interest expense	5,631	16,833	22,464
Bad debt expense	8,937	-	8,937
Grants to families	-	49,000	49,000
Administrative overhead	<u>977,382</u>	<u>(977,382)</u>	<u>-</u>
Total expenses before depreciation	6,762,145	920,238	7,682,383
Depreciation	<u>55,952</u>	<u>132,712</u>	<u>188,664</u>
Total expenses	<u>\$ 6,818,097</u>	<u>\$ 1,052,950</u>	<u>\$ 7,871,047</u>

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
For the Year Ended September 30, 2020

	Career Transition/ Employment Services	Recreation	Respite Services	Potentials Charter School	Community Inclusion	Family Support Services	Early Intervention Programs	Residential Services	Volunteer Services	Total Program
Salaries	\$ 252,146	\$ 152,478	\$ 369,446	\$ 390,484	\$ 51,560	\$ 12,440	\$ 1,812,710	\$ 782,171	\$ 85,931	\$ 3,909,366
Employee benefits	30,705	30,785	50,864	69,120	9,038	1,180	262,646	150,327	6,954	611,619
Payroll taxes	18,171	11,606	28,673	29,060	3,854	1,077	134,697	58,666	5,636	291,440
Total salaries and related expenses	301,022	194,869	448,983	488,664	64,452	14,697	2,210,053	991,164	98,521	4,812,425
Professional fees	16,355	8,562	8,851	113,298	-	5,600	10,250	6,530	-	169,446
Supplies	8,541	22,749	27,052	9,647	2,762	865	98,741	94,302	772	265,431
Telephone	2,205	161	2,277	3,448	663	117	30,155	12,995	1,473	53,494
Postage	441	68	84	424	7	45	3,629	113	262	5,073
Occupancy	4,588	13	643	16,200	-	343	126,380	341	452	148,960
Utilities	-	-	-	-	-	-	-	25,342	-	25,342
Repairs and maintenance	1,912	10,202	-	2,457	-	-	267	29,445	-	44,283
Printing and promotion	1,042	441	110	980	62	-	35	-	400	3,070
Transportation	3,923	1,572	12,625	7,637	1,250	533	42,264	1,930	206	71,940
Training and meetings	297	125	225	2,556	-	10,145	16,645	150	969	31,112
Insurance	13,491	17,659	835	33,751	46	-	1,326	29,949	-	97,057
Miscellaneous	4,185	5,284	1,137	8,691	318	17	8,406	12,841	1,683	42,562
Interest expense	-	-	-	-	-	-	-	5,631	-	5,631
Bad debt expense	1,170	-	(870)	8,637	-	-	-	-	-	8,937
Administrative overhead	138,197	71,123	62,252	198,670	9,910	2,103	206,800	248,634	39,693	977,382
Total expenses before depreciation	497,369	332,828	564,204	895,060	79,470	34,465	2,754,951	1,459,367	144,431	6,762,145
Depreciation	15,932	665	537	15,238	-	147	-	23,433	-	55,952
Total expenses	\$ 513,301	\$ 333,493	\$ 564,741	\$ 910,298	\$ 79,470	\$ 34,612	\$ 2,754,951	\$ 1,482,800	\$ 144,431	\$ 6,818,097

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - SUPPORTING SERVICES
For the Year Ended September 30, 2020

	Management & General	Fund Raising	Total Supporting Services
Salaries	\$ 716,501	\$ 315,162	\$ 1,031,663
Employee benefits	85,068	27,040	112,108
Payroll taxes	52,081	21,943	74,024
Total salaries and related expenses	853,650	364,145	1,217,795
Professional fees	82,736	109,474	192,210
Supplies	23,921	5,178	29,099
Telephone	20,923	3,158	24,081
Postage	2,890	3,436	6,326
Occupancy	7,449	1,215	8,664
Utilities	48,615	-	48,615
Repairs and maintenance	37,577	-	37,577
Printing and promotion	676	15,128	15,804
Transportation	4,443	1,040	5,483
Training and meetings	20,821	1,404	22,225
Insurance	90,185	1,782	91,967
Miscellaneous	115,741	16,200	131,941
Interest expense	16,833	-	16,833
Grants to families	-	49,000	49,000
Administrative overhead	(999,167)	21,785	(977,382)
Total expenses before depreciation	327,293	592,945	920,238
Depreciation	130,515	2,197	132,712
Total expenses	\$ 457,808	\$ 595,142	\$ 1,052,950

See accompanying notes to financial statements.

THE ARC OF PALM BEACH COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities

Since February 7, 1958, The Arc of Palm Beach County, Inc. (The Arc) has been providing quality services, education and advocacy for children and adults with developmental disabilities and their families. The Arc's programs offer a continuum of care for a lifetime. Services can begin as early as during pregnancy, in order to minimize or prevent developmental delays, and options are available to address a variety of needs for infants, children, teens, adults and families.

The Arc of Palm Beach County envisions a community where every person feels welcome, connected and accepted. The Arc is changing the conversation around disabilities by defying definitions, inspiring possibilities and improving the lives of the people we serve, their families, and our community. In order to accomplish this mission, The Arc operates programs throughout Palm Beach County which deliver services to individuals with developmental disabilities from infancy through adulthood, as well as to families in need of support.

The Arc is supported primarily through donor contributions, fees and grants from government agencies, and program services fees.

Description of program services

The significant program services provided by The Arc are briefly described as follows:

- a. Adult Career Education – We help people with developmental disabilities become independent and involved in the community through a hands-on learning experience that teaches them to manage life skills relating to daily living, personal/social and occupational skills. We offer a hands-on learning atmosphere that consists of classes which focus on health, self-advocacy, financial management, social skills, art and employment. Employment coaches help the people we serve to obtain appropriate employment and then work with them to master their job skills. We also match skilled and qualified individuals with developmental disabilities with businesses seeking enthusiastic and dedicated employees.
- b. Recreation – Offers a variety of recreational camp experiences for children, teens and young adults. Well trained staff facilitate a safe, active community-based experience. This program provides developmental, social and behavioral support services to youth enrolled in approved afterschool, day camp and summer camp programs throughout the county.
- c. Respite services – Trained workers provide center based and compassionate in-home care to children with a developmental delay which allows parents the opportunity to balance their lives while decreasing stress and recharging.
- d. Potentials School – Offers a cutting-edge approach to educating children from pre-k through eighth grade who are unable to walk and talk independently. Through its intensive therapeutic model, Potentials equips students with a solid foundation in communication, mobility, sensory needs and academics.
- e. Community inclusion – Provides training for those working to promote the appropriate involvement of school age children with disabilities in after school, summer camp and other out-of-school time programs across Palm Beach County.
- f. Family support services – Provides direct support and referral services for families with children of any age with developmental disabilities. It serves as the gateway into the agency, helping to acquaint new families with everything The Arc has to offer.
- g. Early intervention programs:
 - i. First step to success – Provides in-home services to families of children between birth to five years of age who demonstrate a mild delay in child development.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities, Continued

Description of program services, continued

- ii. Healthy steps – Provides developmental services in local pediatricians' offices bringing families and health care providers together to improve health, development and emotional wellness of children up to age three.
- iii. Forward leaps – Provides short-term and in-home developmental services to children, birth to age 5, who have slight developmental delays. Trained specialists provide developmental interventions in the children's home or daycare for 6 months.
- h. Residential services – Provides community based homes for adults with developmental disabilities. These homes are designed to help adults over the age of 21 learn to live on their own by acquiring new skills which enhance their quality of life and help them achieve their highest level of independence. The Arc currently operates the following residences:
 - Eleanor Trachtenberg Residence (including Tenzer apartments)
 - Poney Martin Residence
 - Sipporta Residence
 - Bickel Residence
- i. Volunteer services:
 - i. Stand Up – Young adults develop leadership skills through peer-to-peer mentoring, advocacy and inclusion.
 - ii. AmeriCorps – AmeriCorps members help individuals with developmental disabilities learn and perfect much needed skills, provide community inclusion opportunities and promote self-advocacy. Members develop job readiness, employment soft skills, explore job opportunities and provide vocational training as part of their service.

Note 2 – Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the accompanying financial statements follows:

Basis of presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of The Arc, the environment in which it operates, the purpose specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Net assets, continued

Net assets with donor restrictions - Net assets with donor restrictions are resources which are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; The Arc must continue to use the resources in accordance with the donor's instructions.

The Arc's unspent contributions are included in this class if the donor limited their use, as are its donor-imposed endowment funds.

When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of building or equipment (or less commonly the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by The Arc unless the donor provided more specific directions about the period of its use.

Contributions

The Arc recognizes contributions as support when they are received or unconditionally pledged and records the support as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as net assets without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contributions as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

The Arc uses the allowance method to account for possible uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance for uncollectible promises to give is reflected in the accompanying financial statements.

Special events

Special events represent various activities undertaken to raise funds for The Arc for both restricted and unrestricted purposes. Support from special events is reported net of the related expenses in the statements of activities as net assets with or without donor restrictions, as appropriate. Support is recognized in accordance with The Arc's contributions policy and related expenses are recorded when incurred.

Program service fees

Program service fees are recognized as revenue in the period in which the related program services are provided.

In-kind contributions

During the year ended September 30, 2021, the Arc received a donation of property of \$60,883 recorded as support at the property's estimated fair value. No such in-kind contributions were received for the year ended September 30, 2020.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

In-kind contributions, continued

The Arc does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time in The Arc's program services and fund-raising campaigns.

The Arc's primary facility is located, without charge, on land owned by the School District of Palm Beach County. The estimated fair rental value of these premises is reported as support and expense in the period the premises are used (see Note 10).

Concentration of credit risk

The Arc maintains its cash in bank deposit accounts, which at times, may exceed federally insured insurance limits per institution. Management believes that is cash in bank deposits and temporary cash investments are deposited with high credit quality financial institutions.

Cash and cash equivalents

The Arc considers all highly liquid investments with an original or remaining maturity of three months or less when purchased to be cash equivalents.

Accounts and grants receivable

Accounts receivable is stated at the amount of the uncollected balances less an allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on past experience and adverse situations that may affect the collectability. As of September 30, 2021 and 2020, the allowance for doubtful accounts was \$9,765 and \$3,518, respectively.

Grants receivable represent amounts awarded by various government agencies. Government grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible government grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors. Management determined that no allowance was necessary at September 30, 2021 and 2020.

Property and equipment and depreciation

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long donated assets must be maintained, The Arc reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation of property and equipment is calculated on the straight-line method over the following estimated useful lives:

Buildings and improvements	25-30 years
Landscaping	15-20 years
Furniture, fixtures and equipment	3-10 years
Vehicles	5 years

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Income taxes

The Arc is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is recorded in the accompanying financial statements.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2021 and 2020. The Arc is no longer subject to income tax examinations for fiscal years prior to September 30, 2018.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, The Arc's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Arc's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Fair value of financial instruments

The carrying amounts of financial instruments including cash and cash equivalents, contributions and grants receivable, accounts payable, and accrued expenses approximate their fair values because of the relatively short-term nature of their maturities.

Reclassifications

Certain financial statement items have been reclassified from their 2020 presentation to conform with the 2021 presentation of the financial statements.

Functional allocation of expenses

The cost of providing The Arc's programs and other related activities is summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail for expenses by function. Expenses are directly charged to the program activities other than those that benefit multiple functions. The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of The Arc. Occupancy, depreciation and amortization and insurance are allocated on a square footage basis dependent on the programs and supporting services occupying the space.

Certain salaries and wages, benefits and payroll taxes are allocated based on activity reports prepared by key personnel. Every year when new space or programs are added, the bases on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of The Arc.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising costs are expensed as incurred.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

New accounting pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 *Leases (Topic 842)*. This guidance requires the rights and obligations of new and existing arrangements to be recognized as assets and liabilities on the statement of financial position. The guidance will require disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for The Arc's year beginning October 1, 2022, will be to record right-of-use assets and obligations for current operating leases.

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disaggregate the contributions into categories of the nonfinancial assets. For each category of assets utilized by the entity, the description of programs or other activities utilizing the nonfinancial assets and any donor-imposed restriction on the use of those assets need to be disclosed. The guidance is effective for The Arc's year ending September 30, 2022. The impact of this standard on The Arc's financial statements is being evaluated.

Note 3 – Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2021 are:

Financial assets:	
Cash and cash equivalents	\$ 3,072,579
Accounts receivable, net	377,508
Other receivables	102,613
Unconditional promises to give, net	<u>329,033</u>
Total financial assets	3,881,733
Less financial assets held to meet donor-imposed restrictions:	
Purpose and time restricted net assets	(180,833)
Subject to appropriation and satisfaction of donor-restrictions	<u>(1,530,332)</u>
Amount available for general expenditures within one year	<u>\$ 2,170,568</u>

The above table reflects donor-restricted and any board-designated reserve funds as unavailable because it is The Arc's intention to invest those resources for the long-term support of The Arc's programs. However, in the case of need, the Board of Trustees could appropriate resources from the board-designated reserve for general use.

The Arc maintains a working capital line of credit of \$350,000 to cover short-term cash needs (Note 7).

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 4 – Unconditional Promises to Give

Unconditional promises to give consist of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capital campaign pledges	\$ 191,112	\$ 316,112
Program services	<u>148,200</u>	<u>173,200</u>
Subtotal	339,312	489,312
Less: unamortized discount	<u>(10,279)</u>	<u>(22,161)</u>
Net unconditional promises to give	<u>\$ 329,033</u>	<u>\$ 467,151</u>
Amounts due in:		
Less than one year	\$ 339,312	\$ 397,366
One to three years	<u>-</u>	<u>91,946</u>
Total	<u>\$ 339,312</u>	<u>\$ 489,312</u>

The Arc applied discount rates ranging from 5.25% to 6.25% to its pledges with terms in excess of one year received during the years ended September 30, 2021 and 2020, respectively.

Note 5 – Property and Equipment

Property and equipment at September 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Land and landscaping	\$ 372,061	\$ 315,221
Buildings and improvements	5,638,818	5,456,100
Furniture, fixtures and equipment	622,754	600,384
Vehicles	<u>654,896</u>	<u>654,896</u>
	7,288,529	7,026,601
Less: accumulated depreciation	<u>(4,453,070)</u>	<u>(4,247,490)</u>
Subtotal	2,835,459	2,779,111
Construction in progress	<u>164,310</u>	<u>51,753</u>
Total property and equipment, net	<u>\$ 2,999,769</u>	<u>\$ 2,830,864</u>

Depreciation expense totaled \$218,514 and \$188,664, respectively, for the years ended September 30, 2021 and 2020. Construction in progress consists of upgrades and modifications made to The Arc's Courim Center, Boca Raton building, and group home residences not yet in service as of September 30, 2021.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 6 – Long-Term Debt

Long-term debt includes the following at September 30, 2021 and 2020:

	2021	2020
Note payable – bank, collateralized by certain real property; interest at 4% and principal payable through September 2025.	\$ 156,308	\$ 191,586
Paycheck Protection Program Loan (see below)	-	1,086,510
	156,308	1,278,096
Less: current portion of long-term debt	(36,738)	(1,121,789)
Long-term debt, net	\$ 119,570	\$ 156,307

Principal maturities

Principal payments due in each of the years subsequent to September 30, 2021, and thereafter, are as follows:

Year Ending September 30,	Amount
2022	\$ 36,738
2023	38,255
2024	39,828
2025	41,487
Total	\$ 156,308

Paycheck Protection Program Loan

On April 16, 2020, The Arc received loan proceeds in the amount of \$1,086,510 under the Paycheck Protection Program (PPP) from an unrelated third-party lender (the lender). The PPP Loan, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), is designed to be a direct incentive for qualifying employers to keep their workers on payroll due to the COVID-19 pandemic and its far-reaching economic disruption. The U.S. Small Business Association (SBA) will forgive the loan if eligible expenses are incurred over the period specified in the SBA and US Treasury’s PPP guidance.

The PPP Loan, which is in the form of a promissory note, matures in two years from the date of funding, April 16, 2022, and bears interest at a rate of 1.00% per annum, payable monthly, commencing 10 months after the end of the loan forgiveness covered period, which was September 30, 2020. The PPP Loan may be prepaid by The Arc at any time prior to maturity with no prepayment penalties. The PPP Loan is uncollateralized.

During 2021, The Arc applied for forgiveness of the entire PPP Loan amount with its lender and the SBA. The Arc received notification that both the lender and SBA approved The Arc’s application for full forgiveness of the PPP Loan. As a result of the PPP Loan forgiveness, The Arc reduced the PPP Loan amount and recognized \$1,086,510 as a non-operating gain on debt forgiveness in the accompanying statement of activities for the year ended September 30, 2021.

Note 7 – Lines of Credit

Working capital line of credit

The Arc has a working capital line of credit with available borrowings of \$350,000 with a financial institution that is collateralized by certain real property of The Arc and bears interest at the prime rate plus 1.25% (4.50% as of September 30, 2021). At September 30, 2021 and 2020, the line of credit had \$0 and \$111,359 in outstanding borrowings, respectively. The working capital line of credit automatically renews each year until it is cancelled.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Lines of Credit, Continued

Construction line of credit

The Arc has a construction line of credit (construction line) with available borrowings of \$500,000 with a financial institution. The construction line is collateralized by certain real property of The Arc and bears interest at the Wall Street prime rate plus 1.25% (4.50% as of September 30, 2021). At September 30, 2021, outstanding borrowings on the construction line amounted to \$282,847. The construction line renews annually and is secured by a money market account.

Note 8 – Defined Benefit Pension Plan

Previously, The Arc maintained a defined benefit pension plan (the defined benefit plan) that covered substantially all of its employees. Effective October 1, 2002, The Arc discontinued the benefit plan whereby existing participants became fully vested and no new participants were allowed. In 2010, The Arc filed a distressed termination application with the Pension Benefit Guaranty Corporation (PBGC) which was subsequently approved. Under a settlement, The Arc and the PBGC entered into an agreement whereby PBGC assumed responsibility for payments to beneficiaries and The Arc agreed to contribute a fixed amount, aggregating \$1,390,655, to PBGC, payable over twenty years. As part of the settlement with the PBGC, lien rights were granted to the PBGC on all assets of The Arc.

The table below represents the schedule of payments to PBGC required under the settlement in each of the five years subsequent to September 30, 2021, and thereafter:

Year Ending September 30,	Amount
2022	\$ 44,631
2023	44,631
2024	94,600
2025	94,600
2026	94,600
Thereafter	793,700
Total scheduled payments	1,166,762
Less: amount representing interest	(415,590)
Net present value at September 30, 2021	\$ 751,172

The Arc discounted the payment stream to its present value using a discount rate of 6.5%.

Note 9 – Net Assets with Donor Restrictions

Net assets were released from donor restrictions by time restrictions specified by donors and payments received during the years ended September 30, 2021 and 2020, as follows:

	2021	2020
Time restrictions expired on Town of Palm Beach United Way allocations	\$ 197,600	\$ 193,850
Other releases of restrictions	487,674	508,735
	\$ 685,274	\$ 702,585

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 9 – Net Assets with Donor Restrictions, Continued

Net assets with donor restrictions as of September 30, 2021 and 2020 are restricted by donors for the following purposes:

	2021	2020
Time and purpose restrictions:		
Capital campaign	\$ 1,379,457	\$ 1,190,822
Charter school	79,498	73,321
Community living	154,425	63,750
Children's Services Council	135,000	-
Family support services	76,616	64,419
Early intervention programs	11,742	11,742
Capital improvements	82,185	-
Endowment	3,860	2,281
Sponsorships	-	23,751
	\$ 1,922,783	\$ 1,430,086

At September 30, 2021 and 2020, The Arc has \$25,000 of net assets with donor restrictions of a perpetual nature.

Note 10 – Description of Leasing Arrangements

The Arc leases certain facilities in connection with its program services which are accounted for as operating leases. Total rent expense for the years ended September 30, 2021 and 2020 amounted to \$120,214 and \$119,884, respectively, including \$16,200 for donated facilities for each of the years ended September 30, 2021 and 2020.

Note 11 – Defined Contribution Plan

The Arc maintains a 401(k) profit sharing plan (the Plan) for the benefit of qualified employees. Those employees who have completed 90-days of service and have attained the age of 21 are eligible to participate and may contribute a portion of their compensation to the Plan. The Arc may make discretionary contributions that are allocated based upon the participant's share of total compensation paid during the plan year to all participants in the Plan.

The Arc may also make a matching contribution. Only employees who have completed one year of service are eligible for The Arc discretionary or matching contributions to the 401(k) plan. For the year ended September 30, 2021, The Arc made a discretionary profit sharing contribution of \$20,000 to the Plan which was allocated to Plan participants. For the year ended September 30, 2020, no discretionary or matching contributions to the Plan were made or approved.

Note 12 – Concentrations

The Arc receives a substantial amount of its revenue and support from state program funding which is passed through various state and local governmental entities. A significant reduction in the level of this support, if this were to occur, would have a significant effect on The Arc's services and activities. Other grants represent amounts received from the local grant funding agencies.

Note 13 – Related Party Transactions

The Arc provides management services to the Housing Corporation of the Palm Beach County Arc, Inc. (Housing). Housing is a non-profit organization with certain directors that also serve as directors for The Arc. Housing's primary function is to operate the Eleanor Trachtenberg Residence (ETR) pursuant to a Department of Housing and Urban Development (HUD) program.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 13 – Related Party Transactions, Continued

During 2020, Housing received a grant from a municipality to renovate ETR. Such renovation costs exceeded the amount of the grant and The Arc advanced certain funds to Housing which will be repaid by Housing as excess cash is available over the next year. At September 30, 2021 and 2020, amounts due from Housing approximated \$80,000 and \$119,000, respectively, and are included in prepaid expenses and other current assets in the accompanying statements of financial position.

For the years ended September 30, 2021 and 2020, there were \$10,078 and \$3,984 management fees received from Housing by The Arc, respectively.

The Arc used the insurance brokerage services of a company owned by a certain Trustee for each of the years ended September 30, 2021 and 2020. Costs for such insurance services for the years ended September 30, 2021 and 2020, approximated \$56,000 and \$49,000, respectively.

Note 14 – Commitments and Contingencies

Management agreements

During 2021, the Arc entered into certain management agreements with Seagull Industries for the Disabled, Inc. doing business as Seagull Services (Seagull) and Palm Beach Habilitation Center, Inc. (the Center) for certain members of the Arc's management to provide certain services including operations management, human resources, administration, and finance services. Management fees earned under the management agreement with Seagull and the Center totaled \$40,000 and is included in other income in the accompanying statement of activities for the year ended September 30, 2021.

Legal matters

From time to time, The Arc is subject to legal proceedings which arise in the ordinary course of its operations. Management believes that the final resolution of these matters will not have a material adverse effect on The Arc's financial position, cash flows, or results of operations.

Note 15 – Significant Uncertainties – COVID-19

As a result of worldwide COVID-19 pandemic infections, certain national, state, and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19. Additionally, more restrictive proclamations and/or directives may be issued in the future.

As a result, certain of The Arc's operations, program services, and administrative operations of The Arc were modified and adjusted.

Any resulting financial impact cannot be reasonably estimated at this time but could be anticipated to have an impact on The Arc's operations, financial position, and results of operations for fiscal year 2022.

Management continues to evaluate the effects of the COVID-19 pandemic, considering the facts and circumstances related to the impact of COVID-19 on The Arc and its constituents. Management believes that while it is reasonably possible that the pandemic could have a negative impact on The Arc's financial position and, results of operations, the specific impact is not readily determinable as of September 30, 2021. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

THE ARC OF PALM BEACH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 16 – Subsequent Events

Seagull Services acquisition

Effective October 1, 2021, The Arc acquired the operations, assets and assumed the liabilities of Seagull Industries for the Disabled, Inc. doing business as Seagull Services (Seagull) in accordance with an executed Agreement (the Agreement) with the Board of Directors and corporate officers of Seagull. Seagull operates several programs and services to youth and adults with developmental disabilities in Palm Beach County, Florida. The Agreement stipulates The Arc as the sole member of Seagull by way of Seagull's amended and restated Articles of Incorporation and By-Laws. No consideration was transferred to Seagull by The Arc as part of the combination. The Arc will account for the acquisition of Seagull in accordance with FASB ASC 958-805-05-5, *the Acquisition of Not-for-Profit Entities Subsections*, under the acquisition method, whereby the assets acquired and liabilities assumed will be recorded at their estimated fair values with resulting recognition of an inherent contribution received, if any, recognized on the date of acquisition.

Commencing with the date of acquisition, the results of Seagull's operations will be combined with the operations of The Arc. As of October 1, 2021, the assets acquired and liabilities assumed of Seagull, before fair value estimates are applied, were as follows (unaudited):

Cash and cash equivalents	\$ 996,097
Other current assets	203,502
Property and equipment*	1,615,477
Current liabilities	(89,717)
Debt assumed*	<u>(951,824)</u>
Unadjusted conditional contribution	<u>\$ 1,773,535</u>

*As of the date of this report, management has not completed its determination of the Seagull acquisition and has not reflected the assets acquired and liabilities assumed at their estimated fair values. Management anticipates that amounts reported in the unaudited table above will change as it completes its evaluation of the facts and circumstances which existed as of the acquisition date.

Management evaluated activity of The Arc subsequent to September 30, 2021 through December 20, 2021, the date on which the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.

Independent Auditors' 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 Trustees of
The Arc of Palm Beach County, Inc.
Riviera Beach, Florida

We 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 Palm Beach County, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, 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 20, 2021.

Internal Control Over Financial Reporting

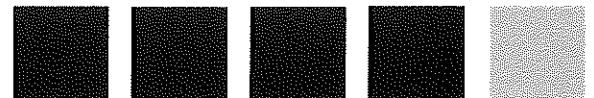
In planning and performing our audit of the financial statements, we considered The Arc of Palm Beach County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Palm Beach County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc'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 The Arc of Palm Beach County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Arc of Palm Beach County, Inc.'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 Arc of Palm Beach County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Templeton & Company, LLP

West Palm Beach, Florida
December 20, 2021