

**THE ARC OF PALM BEACH COUNTY, INC.
AND CONSOLIDATED AFFILIATES**

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2024)**

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of The Arc of Palm Beach County, Inc. (a nonprofit organization) and its consolidated affiliates, Seagull Industries for the Disabled, Inc. (a nonprofit organization) and Palm Beach Habilitation Center, Inc. (a nonprofit organization) (collectively, The Arc), which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of Palm Beach County, Inc. and consolidated affiliates as of September 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc of Palm Beach County, Inc. and consolidated affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Palm Beach County, Inc. and consolidated affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc of Palm Beach County, Inc. and consolidated affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Palm Beach County, Inc. and consolidated affiliates' ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance projects is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2026, on our consideration of The Arc of Palm Beach County, Inc. and consolidated affiliates' 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. and consolidated affiliates' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Arc of Palm Beach County, Inc. and consolidated affiliates' 2024 consolidated financial statements, and our report dated March 21, 2025, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Templeton & Company, LLP

West Palm Beach, Florida
February 27, 2026

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2025
(with summarized comparative totals at September 30, 2024)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,112	\$ 770,292
Restricted cash	1,050,331	1,350,205
Grants, accounts and other receivables, net of allowance (Note 4)	1,169,513	1,226,303
Prepaid expenses and other current assets	443,463	110,525
Total current assets	2,769,419	3,457,325
Property and equipment, net (Note 5)	20,467,936	20,485,792
Right-of-use assets - operating lease (Note 11)	136,992	282,739
Other assets	87,202	87,002
Total assets	\$ 23,461,549	\$ 24,312,858
LIABILITIES AND NET ASSETS		
Current liabilities:		
Lines of credit (Note 8)	\$ 1,260,106	\$ 968,054
Current portion of long-term debt	21,612	41,500
Accounts payable	561,600	502,012
Accrued expenses	666,286	679,039
Deferred revenue	390,540	291,042
Agency funds payable	373,727	224,722
Current portion of lease liabilities	149,623	151,253
Current portion of settlement - Pension Benefit Guaranty Corporation	189,200	94,600
Total current liabilities	3,612,694	2,952,222
Lease liabilities, net of current portion (Note 11)	-	149,623
Settlement - Pension Benefit Guaranty Corporation, net of current portion (Note 9)	357,150	418,405
Long-term debt, net (Note 7)	241,610	-
Total liabilities	4,211,454	3,520,250
Commitments and contingencies (Notes 14 and 15)		
Net assets:		
Without donor restrictions	18,134,163	19,272,013
With donor restrictions	1,115,932	1,520,595
Total net assets	19,250,095	20,792,608
Total liabilities and net assets	\$ 23,461,549	\$ 24,312,858

See accompanying notes to consolidated financial statements.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025
(with summarized comparative totals for the year ended September 30, 2024)

	For the Year Ended September 30, 2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating:				
Support:				
Contributions	\$ 1,399,829	\$ -	\$ 1,399,829	\$ 821,829
Town of Palm Beach United Way	60,832	-	60,832	318,600
Special events, net	261,044	-	261,044	261,323
Fees and grants	9,169,584	977,522	10,147,106	9,096,170
Revenue:				
Program service fees (including Medwaiver and Medicaid)	6,021,621	-	6,021,621	5,386,497
Investment and other, net	95,393	-	95,393	101,952
Net assets released from restrictions	<u>1,382,185</u>	<u>(1,382,185)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	<u>18,390,488</u>	<u>(404,663)</u>	<u>17,985,825</u>	<u>15,986,371</u>
Expenses:				
Program services	17,972,396	-	17,972,396	15,941,723
General and administrative	815,417	-	815,417	2,022,410
Fundraising	<u>692,785</u>	<u>-</u>	<u>692,785</u>	<u>809,879</u>
Total expenses	<u>19,480,598</u>	<u>-</u>	<u>19,480,598</u>	<u>18,774,012</u>
Change in net assets - operating	(1,090,110)	(404,663)	(1,494,773)	(2,787,641)
Nonoperating:				
(Loss) gain on sales of property and equipment, net	(14,395)	-	(14,395)	509,359
Adjustment to discount on settlement with PBGC	<u>(33,345)</u>	<u>-</u>	<u>(33,345)</u>	<u>(182,770)</u>
Change in net assets	(1,137,850)	(404,663)	(1,542,513)	(2,461,052)
Net assets, beginning of year	<u>19,272,013</u>	<u>1,520,595</u>	<u>20,792,608</u>	<u>23,253,660</u>
Net assets, end of year	<u>\$ 18,134,163</u>	<u>\$ 1,115,932</u>	<u>\$ 19,250,095</u>	<u>\$ 20,792,608</u>

See accompanying notes to consolidated financial statements.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2025 (with summarized comparative totals for the year ended 2024)

	Adult Career Education	Charter Schools	Residential Services	Early Intervention	Family and Community Service	Adult Day Training	Thrift Store	Total Program Services	General and Administrative	Fundraising	2025 Total Expenses	2024 Total Expenses
Salaries	\$ 1,403,027	\$ 949,184	\$ 2,170,374	\$ 2,293,853	\$ 814,632	\$ 1,559,812	\$ 148,688	\$ 9,339,570	\$ 2,065,353	\$ 289,242	\$ 11,694,165	\$ 11,013,401
Employee benefits	170,146	127,177	243,237	325,646	111,357	230,168	20,649	1,228,380	125,630	12,113	1,366,123	1,616,595
Payroll taxes	107,002	77,490	164,194	169,214	61,715	121,247	11,177	712,039	172,126	19,084	903,249	834,517
Total salaries and related expenses	1,680,175	1,153,851	2,577,805	2,788,713	987,704	1,911,227	180,514	11,279,989	2,363,109	320,439	13,963,537	13,464,513
Professional fees	3,171	396,863	3,730	11,703	8,000	25,760	-	449,227	164,840	109,165	723,232	688,752
Supplies	152,385	22,797	183,961	119,016	45,285	41,645	4,457	569,546	109,971	8,606	688,123	663,124
Telephone	11,380	2,066	40,931	31,016	4,466	3,408	754	94,021	44,018	8,126	146,165	140,587
Postage	53,340	14	85	33	-	111	-	53,583	2,649	4,037	60,269	8,417
Occupancy	11,592	-	95	183,745	388	4,038	15	199,873	43,664	513	244,050	236,689
Utilities	43,707	-	87,015	-	-	36,578	15,141	182,441	103,424	1,184	287,049	320,680
Repairs and maintenance	28,811	25,600	100,296	154	594	5,970	4,456	165,881	275,298	-	441,179	435,398
Bank and payroll processing fees	42,837	36,082	66,074	65,976	22,835	44,883	4,743	283,430	13,414	10,702	307,546	169,622
Information technology	17,341	14,607	26,748	26,708	9,244	18,170	1,920	114,738	5,430	4,332	124,500	225,773
Membership dues	4,797	4,041	7,399	7,388	2,557	5,026	531	31,739	1,502	1,198	34,439	46,507
Printing and promotion	8,928	6,399	434	788	109	1,248	572	18,478	10,489	62,081	91,048	164,983
Transportation	21,467	13,876	19,228	79,293	31,587	20,444	1,327	187,222	17,820	859	205,901	205,846
Training and meetings	2,517	3,883	4,259	24,799	7,133	11,323	-	53,914	8,551	164	62,629	29,002
Insurance	35,890	93,073	94,768	238	393	115,570	9,314	349,246	459,680	435	809,361	709,372
Miscellaneous	4,215	15,932	100,432	7,375	17,432	9,462	427	155,275	124,627	8,341	288,243	246,049
Interest expense	-	-	-	-	-	-	-	-	90,880	-	90,880	98,572
Bad debt expense	7,756	-	12,161	-	-	11,549	-	31,466	4,556	-	36,022	75,285
Grants	24,883	-	603	800	-	8,125	2,385	36,796	3,120	6,300	46,216	69,466
Administrative overhead	478,302	480,990	738,342	844,592	308,813	530,886	50,784	3,432,709	(3,565,914)	137,944	4,739	688
Total expenses before depreciation	2,633,494	2,270,074	4,064,366	4,192,337	1,446,540	2,805,423	277,340	17,689,574	281,128	684,426	18,655,128	17,999,325
Depreciation	88,684	19,078	105,730	-	-	45,239	24,091	282,822	534,289	8,359	825,470	774,687
Total expenses	\$ 2,722,178	\$ 2,289,152	\$ 4,170,096	\$ 4,192,337	\$ 1,446,540	\$ 2,850,662	\$ 301,431	\$ 17,972,396	\$ 815,417	\$ 692,785	\$ 19,480,598	\$ 18,774,012

See accompanying notes to consolidated financial statements.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2025
(with summarized comparative totals for the year ended September 30, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (1,542,513)	\$ (2,461,052)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	825,470	774,687
Amortization of loan costs	197	4,553
Amortization of discount on settlement	33,345	182,770
Loss (gain) on sales of property and equipment	14,395	(509,359)
Noncash lease (adjustment) cost	(5,506)	1,278
Changes in operating assets and liabilities:		
Grants, accounts and other receivables	56,790	401,314
Prepaid expenses and other current assets	(290,790)	(22,861)
Accounts payable	59,588	2,465
Accrued expenses	(12,753)	67,644
Agency funds payable	149,005	19,743
Deferred revenue	99,498	(102,608)
Net cash used in operating activities	(613,274)	(1,641,426)
Cash flows from investing activities:		
Purchases of property and equipment	(843,934)	(1,094,981)
Proceeds from sales of property and equipment	21,925	1,486,222
(Advances to) Housing, net	(42,148)	(2,797)
(Increase) decrease in other assets	(200)	3,205
Net cash (used in) provided by investing activities	(864,357)	391,649
Cash flows from financing activities:		
Borrowings on lines of credit	3,678,949	685,207
Repayments of lines of credit	(3,104,050)	(195,207)
Settlement payments - Pension Benefit Guaranty Corporation	-	(429,600)
Principal repayments of long-term debt	(61,322)	(643,585)
Net cash provided by (used in) financing activities	513,577	(583,185)
Net change in cash, cash equivalents, and restricted cash	(964,054)	(1,832,962)
Cash, cash equivalents, and restricted cash beginning of year	2,120,497	3,953,459
Cash, cash equivalents, and restricted cash end of year	\$ 1,156,443	\$ 2,120,497
Supplemental cash flow disclosure:		
Interest paid	\$ 90,683	\$ 72,677

See accompanying notes to consolidated financial statements.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Activities

The Arc of Palm Beach County, Inc. and its consolidated affiliates (The Arc) provides 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 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, Florida 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 Day Training – The Adult Day Training program offers a supportive and structured environment where adults with intellectual and developmental disabilities can develop essential life skills, strengthen independence, and improve overall well-being. Through person-centered programming, participants take part in daily activities that promote communication, social engagement, self-advocacy, health awareness, and community involvement. The program incorporates recreational, cultural, and skill-building opportunities that encourage personal growth, confidence, and meaningful participation while honoring individual choice and dignity.
- b. Charter Schools – Bodwell Academy (Bodwell) is affiliated with the School District of Palm Beach County. Bodwell provides a cutting-edge approach to educating students from pre-kindergarten through age 22 in a small class environment with innovative methods designed to help students develop and succeed through their intensive educational, vocational, and therapeutic models.
- c. Residential Services – The Arc's Residential Program provides community-based homes for adults with developmental disabilities. The Arc believes everyone deserves a beautiful, high-quality place to call home, one where they feel safe, supported, and able to build meaningful friendships. The Residential Program consists of five group homes located throughout Palm Beach County, Florida, all professionally staffed 24 hours a day. The Arc supports adults ages 18 and older as they develop the skills needed to live as independently as possible. The Arc's focus is on enhancing quality of life while helping each individual achieve their highest level of independence.
- d. Early Intervention programs – Early Intervention programs are comprised of three developmental programs; First Step to Success, Early Connections, and ForwardLeaps. These programs serve families and children demonstrating mild to moderate developmental delays. They promote age-appropriate development, foster secure parent-child relationship, and support school readiness.

First Step to Success provides long-term, weekly in-home services for children from birth to age five who demonstrate mild to moderate developmental delays. Specialists work closely with families to strengthen parent-child relationships while supporting children in reaching key developmental milestones through modeling and play, creating a lasting positive impact.

Early Connections offers parent support and developmental guidance during well-baby visits throughout the first three years of life at 10 pediatric practices across Palm Beach County. Services include referrals to community resources, a parent information line, and developmental materials that encourage positive parent-child interactions.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 1 – Nature of Activities, Continued

Description of program services, continued

ForwardLeaps provides short-term developmental interventions for children from birth to age five who are at risk for developmental delays. Through targeted interventions and support services, the program empowers parents to make meaningful differences in their child's development. Services may include learning activities and structured, play-based experiences.

- e. Thrift Store – Single thrift store located in Palm Springs, Florida. The Arc collects donated items from the general public and sells them for the benefit of its rehabilitative programs.
- f. Inclusion Services – Inclusion Services provides Recreation, Respite, and Community Inclusion programming designed to meet the diverse needs of children, teens, and adults with intellectual and developmental disabilities (IDD).

The Recreation Program offers inclusive camps for youth and teens offered year-round on out-of-school days, as well as recreation-based day programming and evening events for adults. All recreation offerings are designed to foster community engagement, social skill development, increased independence, meaningful peer connections and active participation in age-appropriate recreational activities.

The Respite Program include both in-home and Saturday center-based programming for youth and teens. These services support families by providing temporary relief from caregiving responsibilities, allowing them the opportunity to balance their daily lives and recharge.

The Community Inclusion Program provides training, coaching, and technical assistance to community-based out-of-school time programs. This support enhances the overall experience for all enrolled youth by implementing effective inclusion strategies that ensure individuals with IDD are actively engaged, appropriately supported, and afforded the same opportunities as their peers.

- g. Supported Living – The Supported Living Program provides support to adults with developmental disabilities who live independently in their own homes or apartments throughout Palm Beach County, Florida. Each individual receives personalized support from a dedicated Supported Living Coach once a week to develop daily living skills and increase independence. Eligible individuals must be 18 years or older and motivated to live independently within their community. Supported Living Coaches are available 24/7 to provide assistance and support when needed.
- h. Career Development – The Supported Employment Program provides job development, on-the-job training, and long-term coaching to help individuals with disabilities secure and maintain integrated, competitive employment. This program focuses on matching skills with employer needs, providing ongoing support to ensure job retention and career growth.

The Crew 2 U (work crew) is a supported employment service designed to help people with disabilities gain work experience and income through competitive, community-based jobs. Jobs are at various locations within the community under the constant supervision of a job coach or crew supervisor.

The production department is part of The Arc's Adult Day Training program. The focus of the program is to help individuals identify strengths, address employability barriers, improve work tolerance, follow instructions, and develop transferable skills such as teamwork, time management, and task completion. Participants earn minimum wage which serves as an incentive and learning tool for financial independence.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies

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

Basis of accounting

The accompanying consolidated 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).

Principles of consolidation

The consolidated financial statements include the accounts of The Arc of Palm Beach County, Inc. (The Arc) and the not-for-profit corporations for which The Arc is the corporate sole member, Seagull Industries for the Disabled, Inc. DBA Seagull Services (Seagull) and Palm Beach Habilitation Center, Inc. (PBHC) (collectively, The Arc). All inter-entity transactions, accounts, and balances are eliminated upon consolidation.

Basis of presentation

The consolidated 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 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 contractual arrangements with creditors or others that are entered into in the course of operations or designated by the Board of Trustees.

Net assets with donor restrictions - Net assets with donor restrictions 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.

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 consolidated 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, unless the donor provided more specific directions about the period of its use.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions

The Arc recognizes contributions as support in the period that unconditional promises are received. Contributions received with donor restrictions that are met in the year of receipt are recorded as net assets without donor restrictions. Contributions of nonfinancial assets are recorded at their estimated fair value at the date of receipt. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

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

Note 2 – Summary of Significant Accounting Policies, Continued

Contributions, continued

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 to give. The allowance is based on historical experience and management's analysis of specific promises made. No allowance for uncollectible promises to give is reflected in the accompanying consolidated financial statements.

Program service fees revenue

Program service fees revenue is reported at net realizable amounts for services rendered at the time those services are rendered, inclusive of any retroactive adjustments under reimbursement agreements with Medicaid and other state or local payors and school districts. The Arc records accounts receivable for program service fees invoiced to third parties and provides a reserve for estimated uncollectible amounts.

Grant revenue

The Arc receives various grants from federal, state, local, and private agencies for program and supporting service expenses. These grants are generally on a cost reimbursement basis. Revenue from grants is deemed earned and recognized in the consolidated statement of activities when expenditures are made for the purposes specified. Any amounts collected in advance of incurring specified costs are reflected as deferred revenue (Note 6).

Cash and cash equivalents and restricted cash

The Arc considers all highly liquid investments with an original or remaining maturity of three months or less when purchased and money market funds to be cash equivalents. Restricted cash relates to funds held for their clients during the client's tenure with The Arc. These funds are required to be held in a cash account separate from The Arc's operating funds. The following provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated statements of financial position to the sum of the corresponding amounts with the consolidated statements of cash flows:

	2025	2024
Cash and cash equivalents	\$ 106,112	\$ 770,292
Cash restricted for client funds	1,050,331	1,350,205
Total	\$ 1,156,443	\$ 2,120,497

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 consolidated statement of activities as net assets with or without donor restrictions, as appropriate.

Nonfinancial asset contributions

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 fundraising campaigns.

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

Note 2 – Summary of Significant Accounting Policies, Continued

Grants, accounts, and other receivables

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 current economic conditions, historical trends, and current and past experience with individual clients. As of both September 30, 2025 and 2024, the allowance for doubtful accounts was \$75,000.

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, 2025 and 2024.

Property and equipment and depreciation

Donations of property and equipment are recorded at fair value at the date of receipt, and purchases of land, property, and equipment are stated at cost. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated property for 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. Property and equipment in excess of \$10,000 are capitalized.

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

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

Leases

The Arc leases certain office space under non-cancellable operating lease agreements. The Arc determines whether an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying consolidated statements of financial position. The Arc elected not to recognize ROU assets for leases with a term of twelve (12) months or less. The total cost of these short-term leases was \$31,264 and \$19,638, respectively, for the years ended September 30, 2025 and 2024.

ROU assets represent The Arc's right-to-use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of The Arc's operating leases do not provide an implicit rate, The Arc elected the practical expedient to use a risk-free rate (U.S. Treasury rates) as the discount rate, in determining the present value of lease payments.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that The Arc will exercise that option. For operating leases, lease expense is recognized on a straight-line basis over the lease term. The Arc's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Arc elected the practical expedient to account for its lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next.

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

Note 2 – Summary of Significant Accounting Policies, Continued

Leases, continued

These variable lease payments are recognized as operating expenses in the period in which the obligation for such payments is incurred.

Donated services

During the years ended September 30, 2025 and 2024, the value of donated services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded.

Agency funds payable

In connection with The Arc's supported living programs, The Arc follows FASB ASC 958-605, *Not-for-profit Entities, Revenue Recognition*, to account for agency transaction funds with its clients. The Arc has no discretionary powers over the funds and is to make payments as directed for the benefit of the client. The Arc records the acceptance of these fund, as restricted cash and an agency payable in the consolidated statements of financial position.

Impairment of long-lived assets

The Arc assesses the recoverability of long-lived assets when events or circumstances or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. This assessment is based on the asset's current and anticipated future undiscounted cash flows. Impairment occurs when the cash flows do not exceed the carrying value of the asset. The amount of impairment loss is the difference between the carrying value of the assets and their estimated fair value. No impairment losses were recorded for the years ended September 30, 2025 and 2024.

Income taxes

The Arc of Palm Beach County, Inc., Seagull Industries for the Disabled, Inc., and Palm Beach Habilitation Center, Inc. are exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, no provision for income taxes is recorded in the accompanying consolidated 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 general and administrative expenses. No such interest or penalties were recorded for the years ended September 30, 2025 and 2024. The Arc, Seagull, and PBHC are no longer subject to income tax examinations for fiscal years prior to 2022.

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 consolidated financial statements. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates and such differences could be material.

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

Note 2 – Summary of Significant Accounting Policies, Continued

Fair value of financial instruments

The carrying amounts of financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, grants and other receivables, accounts payable, accrued expenses, agency funds payable and deferred revenue, approximate their fair values because of the relatively short-term nature of their maturities.

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 consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail for expenses by function. Expenses are directly charged to the program activities other than those that benefit multiple functions. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting service of The Arc. Occupancy, depreciation, and insurance are allocated on a square footage basis dependent on the programs and supporting services occupying the space.

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

Joint costs

The Arc accounts for costs included in joint activities that are not identifiable with a particular component of the activity are allocated between fundraising and program services in accordance with FASB ASC 958, *Not-for-Profit-Entities*.

Comparative financial information

The consolidated financial statements include certain prior year summarized comparable information in total. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with The Arc's consolidated financial statements for the year ended September 30, 2024, from which the summarized information was derived.

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, 2025 and 2024 are:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 106,112	\$ 770,292
Grants, accounts and other receivables, net	1,169,513	1,226,303
Total financial assets	1,275,625	1,996,595
Less financial assets held to meet donor-imposed and/or contractual restrictions:		
Board designated net assets	-	(265,950)
Subject to appropriation and satisfaction of donor-restrictions	(1,115,932)	(1,520,595)
Amount available for general expenditures within one year	\$ 159,693	\$ 210,050

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

Note 3 – Liquidity and Availability of Resources, Continued

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 working capital and construction lines of credit aggregating \$1,950,000 to cover short-term cash needs (Note 8).

Note 4 – Grants, Accounts and Other Receivables

Grants, accounts and other receivables are summarized as follows at September 30, 2025 and 2024:

	2025	2024
Grants receivable	\$ 1,002,630	\$ 1,042,545
Accounts receivable	153,598	104,805
Client accounts receivable	88,285	153,953
Sub-total	1,244,513	1,301,303
Allowance for doubtful accounts	(75,000)	(75,000)
Total	\$ 1,169,513	\$ 1,226,303

Note 5 – Property and Equipment

Property and equipment at September 30, 2025 and 2024, consists of the following:

	2025	2024
Land and land improvements	\$ 3,551,561	\$ 3,574,933
Buildings and improvements	19,715,843	19,968,913
Furniture, fixtures and equipment	1,220,877	1,185,129
Vehicles	453,943	740,154
Subtotal	24,942,224	25,469,129
Less: accumulated depreciation	(6,619,370)	(6,099,094)
Operating property and equipment, net	18,322,854	19,370,035
Real estate held for sale	627,891	336,477
Construction in progress	1,517,191	779,280
Total property and equipment, net	\$ 20,467,936	\$ 20,485,792

Depreciation expense totaled \$825,470 and \$774,687, respectively, for the years ended September 30, 2025 and 2024. Construction in progress consists of upgrades and renovations not yet placed in service for certain group home residences as well as The Arc's South Campus in Lake Worth, Florida, as of September 30, 2025 and 2024.

The Arc owns certain parcels of land on which its South Campus and residential facilities are located which was previously deeded to PBHC by Palm Beach County (the County). The County restricted the use of both parcels of land such that The Arc may not encumber or sell it in any manner without the approval of the County. The Arc uses the properties as intended.

As of September 30, 2025 and 2024, real estate held for sale includes certain real property held for sale located in Delray Beach, Florida. Subsequent September 30, 2025, The Arc sold the property for a total sales price of \$1,000,000 in February 2026. Approximately \$464,000 of the proceeds from the sale will be used to pay off The Arc's remaining obligation to the Pension Benefit Guaranty Corporation.

As of September 30, 2025, the Arc has additional real property held for sale located in Boca Raton, Florida.

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

Note 6 – Deferred Revenue

Agency refundable advance

Prior to 2024, The Arc received an advance of \$375,000 which represented 25% of the total budget of a \$1,500,000 contract from the Florida Agency for Persons with Disabilities (Agency) to make renovations to its South Campus Cultural Arts building in Lake Worth, Florida. The purpose of the Agency’s contract is to renovate the Cultural Arts building to “harden” it for significant weather events and to operate as an emergency shelter for the South Campus’ program participants and their families.

Funding for the Agency by the State of Florida is contingent upon an annual appropriation from the Florida Legislature. The Agency’s obligation to pay under this contract is subject to the availability of funds. The renovations started in 2024 with \$0 and \$370,904 recognized as grant revenue for the years ended September 30, 2025 and 2024, respectively. The Arc received an additional \$250,000 in Agency refundable advances during 2024, none of which was utilized as of September 30, 2025. The contract with the Agency has been extended through June 30, 2026, in order for The Arc to complete the renovation project.

Note 7 – Long-Term Debt

Long-term debt includes the following at September 30, 2025 and 2024:

	2025	2024
Note payable – bank, collateralized by certain real property; interest at 4% paid in full during the year ended September 30, 2025.	\$ -	\$ 41,500
Note payable – bank, collateralized by certain real property; bearing interest at a fixed rate of at 7.75% and principal and interest payable through maturity in November 2034.	265,922	-
Total long-term debt	265,922	41,500
Less: unamortized loan costs	(2,700)	-
Less: current portion of long-term debt	(21,612)	(41,500)
Long-term debt, net	\$ 241,610	\$ -

The principal payments on long-term debt through their maturity date are as follows:

Year Ending September 30,	Amount
2026	\$ 21,612
2027	23,138
2028	24,731
2029	26,519
2030	28,391
Thereafter	141,531
Total	\$ 265,922

Note 8 – Lines of Credit

Working capital line of credit – The Arc

The Arc has a bank working capital line of credit (Arc Line of Credit) with available borrowings of \$750,000 with a bank that is collateralized by certain real property and bears interest at the Wall Street Prime Rate (7.25% as of September 30, 2025). At September 30, 2025, outstanding borrowings on the Arc line of credit amounted to \$728,351. The Arc Line of Credit automatically renews each year until it is cancelled by The Arc or the bank.

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

Note 8 – 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 bank. The construction line is collateralized by cash held in the capital campaign account and bears interest at the Wall Street Prime Rate (7.25% as of September 30, 2025). During September 30, 2025, The Arc refinanced the construction line of credit by converting the outstanding balance into a term note which matures in November 2034, with monthly principal and interest payments, bearing interest at a fixed rate of 7.75% (see Note 7).

Non-revolving line of credit

The Arc has non-revolving line of credit (margin line) with a financial institution with available borrowings of up to \$1,200,000 to be used for short-term working capital purposes. The margin line of credit is collateralized by a certain real property and bears interest at the Wall Street Prime Rate (7.25% as of September 30, 2025).

At September 30, 2025, outstanding borrowings on the non-revolving line amounted to \$531,755. The non-revolving line expires in October 2026.

Note 9 – Defined Benefit Pension Plan

Previously, The Arc maintained a defined benefit pension plan (the defined benefit plan) that covered substantially all of its employees through 2001. 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 at a 0% interest rate.

As part of the settlement with the PBGC, lien rights were granted to the PBGC on all assets of The Arc. The Arc discounted the payment stream to its present value using a discount rate of 6.5%. During the year ended September 30, 2024, a portion of the proceeds from the sale of real estate, totaling \$335,000, was used to reduce the outstanding settlement obligation in accordance with the terms of the PBGC's settlement agreement. In February 2026 a portion of the proceeds from the sale of real estate, totaling \$463,543, will be used to pay off the outstanding settlement obligation in accordance with the terms of the PBGC's settlement agreement.

The table below represents the schedule of payments to PBGC required under the settlement in each of the five years subsequent to September 30, 2025, and thereafter:

Year Ending September 30,	Amount
2026	\$ 189,200
2027	94,600
2028	94,600
2029	120,900
2030	120,900
Thereafter	27,700
Total scheduled payments	647,900
Less: amount representing interest	(101,550)
Net present value at September 30, 2025	\$ 546,350

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

Note 10 – 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, 2025 and 2024, as follows:

	2025	2024
Capital campaign	\$ 881,853	\$ 184,966
Charter school	104,737	52,517
Community living	362,078	273,903
Food services	32,554	36,453
Family services	-	499
Early intervention programs	963	2,462
	\$ 1,382,185	\$ 550,800

Net assets with donor restrictions as of September 30, 2025 and 2024, are restricted by donors for the following purposes:

	2025	2024
Time and purpose restrictions:		
Capital campaign	\$ 377,365	\$ 546,336
Charter school	209,146	229,052
Community living	265,488	513,756
Children's services	100,000	100,000
Food services	106,090	72,644
Early intervention programs	3,988	4,947
Endowment	28,855	28,860
	\$ 1,090,932	\$ 1,495,595

At September 30, 2025 and 2024, The Arc has \$25,000 of net assets with donor restrictions of a perpetual nature.

Note 11 – Leases

The Arc leases certain facilities and equipment in connection with its program services under noncancelable lease agreements that expire through September 2026. Fixed costs for operating leases are composed of initial base rent amounts plus any annual increases specified in the lease agreements.

The following table presents The Arc's operating lease ROU assets and lease liabilities at September 30:

	2025	2024
ROU assets – operating leases	\$ 136,992	\$ 282,739
Current operating lease liabilities	\$ 149,623	\$ 151,253
Noncurrent operating lease liabilities	-	149,623
Total operating lease liabilities	\$ 149,623	\$ 300,876

The following table represents the components of lease expense for the years ended September 30:

	2025	2024
Operating lease cost	\$ 261,620	\$ 273,983
Short-term lease cost	31,264	19,638
Total lease cost	\$ 292,884	\$ 293,621

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

Note 11 – Leases, Continued

The following presents supplemental disclosure associated The Arc’s cash flow information related to operating leases for the years ended September 30:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	\$ 159,604	\$ 168,994

The following table presents the weighted average lease term (in years) and discount rate of The Arc’s operating leases as of September 30:

	2025	2024
Weighted average remaining lease term (years)	.91	1.87
Weighted average discount rate	3.83%	3.83%

The following table presents a maturity analysis of The Arc’s operating lease liabilities at September 30, 2025:

Year Ending September 30,	Minimum Lease Payments
2026	\$ 152,217
Less: imputed interest	(2,594)
Present value minimum lease payments	\$ 149,623

Note 12 – Defined Contribution Retirement Plans

The Arc 401(k) Plan

The Arc maintains a 401(k) 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. For the years ended September 30, 2025 and 2024, The Arc did not make a discretionary contribution.

Seagull 403(b) Plan

Seagull provides a defined contribution plan (403(b) Plan) for its employees under Section 403(b) of the IRC. Contributions are set annually by the Board of Trustees for eligible employees’ compensation. For the years ended September 30, 2025 and 2024, no contributions were made to the 403(b) Plan.

Note 13 – 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.

The Company maintains its cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured cash balance at September 30, 2025, is approximately \$585,000.

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

Note 14 – 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.

Prior to 2024, 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, 2025 and 2024, amounts due from Housing approximated \$45,000 and \$3,000, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated statement of financial position.

The Arc used the insurance brokerage services of a company owned by a certain Trustee for each of the years ended September 30, 2025 and 2024. Costs for such insurance services for the years ended September 30, 2025 and 2024, approximated \$0 and \$135,000, respectively.

Note 15 – Contingencies

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 consolidated financial position, cash flows, or results of operations.

Note 16 – Subsequent Events

Management evaluated activity of The Arc subsequent to September 30, 2025 through February 27, 2026, the date on which the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

SUPPLEMENTARY INFORMATION

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE PROJECTS
For the Year Ended September 30, 2025

<u>State grantor/program title:</u>	<u>Grant Period</u>	<u>State CSFA Number</u>	<u>Grantor's Identifying Number</u>	<u>Total Program Expenditures</u>
State of Florida, Agency for Persons with Disabilities: PBHC - Supported Employment	7/1/2024-6/30/2025	93.667	90560	\$ 192,277
Mental health, PSR, supported employment, enclave	07/01/2024 - 06/30/2025	93.958	PNA 19-15	93,854
Cultural Arts Building	07/01/2022 - 06/30/2026	67.051	ACXY8	679,781
Cultural Arts Building	07/01/2024 - 06/30/2027	67.103	AFX36	124,027
Supported Employment	10/1/2024 - 09/30/2025	93.667	80171908-21-STC	<u>167,577</u>
Total State of Florida, Agency for Persons with Disabilities				<u>1,257,516</u>
State of Florida Department of Education: VR Services	7/1/2024 - 6/30/2025	48.133	VR5191	<u>7,552</u>
Total expenditures of state financial assistance				<u>\$ 1,265,068</u>

None of the expenditures presented in this schedule were provided to subrecipients, were for loan or loan guarantee programs or non-cash assistance.

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE PROJECTS

Note 1 – Basis of Presentation

The purpose of the accompanying schedule of expenditures of state financial assistance projects (the Schedule) is to present, in summary form, total state financial assistance projects expenditures of The Arc of Palm Beach County, Inc. and consolidated affiliates (The Arc) under programs of the State of Florida for the year ended September 30, 2025. The Schedule is presented in accordance with the requirements of the Florida Single Audit Act and Chapter 10.650, *Rules of the Auditor General for the State of Florida*. Therefore, certain amounts presented in this Schedule may differ from amounts presented in the basic consolidated financial statements.

Note 2 – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized when following the cost principles contained in Chapter 10.650, *Rules of the Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 – Contingency

The grant revenue amounts received or receivable are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement by the grantor agency will become a liability to The Arc. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable state laws and regulations.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Boards of Trustees
The Arc of Palm Beach County, Inc. and consolidated affiliates
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 consolidated financial statements of The Arc of Palm Beach County, Inc. and consolidated affiliates (a nonprofit Organization) (The Arc), which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Arc's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc'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 Arc'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Templeton & Company, LLP

West Palm Beach, Florida
February 27, 2026

Independent Auditor's Report on Compliance Requirements for Each Major State Financial Assistance Project; and Report on Internal Control Over Compliance Required by Chapter 10.650, Rules of the Florida Auditor General

To the Boards of Trustees
The Arc of Palm Beach County, Inc. and consolidated affiliates
Riviera Beach, Florida

Report on Compliance for Each Major State Financial Assistance Project

We have audited The Arc of Palm Beach County, Inc. and consolidated affiliates (The Arc) compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Project Compliance Supplement, that could have a direct and material effect on each of the Organization's major state financial assistance projects for the year ended September 30, 2025. The Arc's major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Arc complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended September 30, 2025.

Basis for Opinion on Each Major State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, *Rules of the Florida Auditor General*. Our responsibilities under those standards and Chapter 10.650, *Rules of the Florida Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Arc and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state financial assistance project. Our audit does not provide a legal determination of The Arc's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Arc's state financial assistance projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Arc's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Florida Auditor General* will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Arc's compliance with the requirements of each major state financial assistance project as a whole.

In performing an audit in accordance with generally accepted auditing standards in the United States of America, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Florida Auditor General* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Arc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Arc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

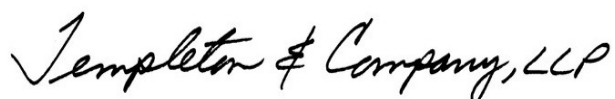
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.



West Palm Beach, Florida
February 27, 2026

THE ARC OF PALM BEACH COUNTY, INC. AND CONSOLIDATED AFFILIATES

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2025**

Part I – Summary of Auditor's Results:

Consolidated financial statement section:

Type of auditors' report issued. Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No
 Reportable condition(s) identified not considered to be material weaknesses? No
 Noncompliance material to financial statements noted? No

State financial assistance projects section:

Dollar threshold used to determine Type A Program. \$379,520
 Auditee qualified as low-risk auditee? No
 Type of auditor's report on compliance for major programs. Unmodified

Internal control over compliance for major state financial assistance project:

Material weakness(es) identified? No
 Reportable condition(s) identified not considered to be material weaknesses? No
 Any audit findings disclosed that are required to be reported in accordance with the Chapter 10.650, *Rules of the Florida Auditor General*? No

Identification of major state financial assistance projects:

<u>CFSA Number</u>	<u>Name of State Project</u>
67.051	Palm Beach Habilitation Center FCO Project

Part II – Financial Statement Findings

We noted no material weaknesses or instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with Government Auditing Standards.

Part III – State Financial Assistance Projects Findings and Questioned Costs

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state financial assistance projects, as required to be reported by the Florida Department of Financial Services' State Project Compliance Supplement, *Rules of the Florida Auditor General*, as well as the status of prior year findings and questioned costs.

Current Year's Findings and Questioned Costs – State Financial Assistance Projects

No reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to the audit of major state projects, as required to be reported by Chapter 10.650, *Rules of the Florida Auditor General*, were reported for the year ended September 30, 2025.

Prior Year Findings and Questioned Costs – State Financial Assistance Projects

No reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs, related to the audit of major state projects, as required to be reported by Chapter 10.650, *Rules of the Florida Auditor General*, were reported for the year ended September 30, 2024.

Independent Auditor's Management Letter in Accordance with the State of Florida Rules of the Auditor General

To the Boards of Trustees
The Arc of Palm Beach County, Inc. and consolidated affiliates
Riviera Beach, Florida

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of The Arc of Palm Beach County, Inc. and consolidated affiliates (The Arc), as of and for the year ended September 30, 2025, and have issued a report thereon dated February 27, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and Chapter 10.650, *Rules of the Florida Auditor General*.

Other Reporting Requirements

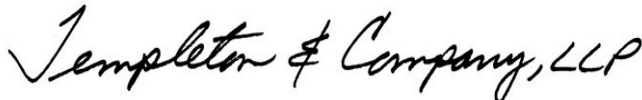
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Finance Assistance Project; and Report on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Florida Auditor General*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 27, 2026, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), *Rules of the Florida Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the consolidated financial statements or state project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, other granting agencies, the Board of Trustees, and applicable management, and is not intended to be, and should not be, used by anyone other than those specified parties.



West Palm Beach, Florida
February 27, 2026