

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

**REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS**

**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, 2024, and the related consolidated statements of activities and cash flows for the year then ended and the consolidated statement of functional expenses 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, 2024, 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 its 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.

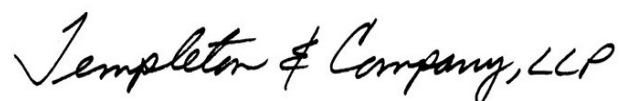
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2025, 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' 2023 consolidated financial statements, and our report dated March 18, 2024, 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, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



West Palm Beach, Florida  
March 21, 2025

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**September 30, 2024**

**(with comparative totals at September 30, 2023)**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,813,421	\$ 3,743,459
Restricted cash	307,076	210,000
Grants, accounts and other receivables, net of allowance	1,226,303	1,627,617
Prepaid expenses and other current assets	<u>110,525</u>	<u>84,867</u>
Total current assets	3,457,325	5,665,943
Property and equipment, net	20,485,792	21,142,361
Right-of-use assets - operating lease (Note 11)	282,739	438,797
Other assets	<u>87,002</u>	<u>90,207</u>
Total assets	<u>\$ 24,312,858</u>	<u>\$ 27,337,308</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Lines of credit (Note 8)	\$ 968,054	\$ 478,054
Current portion of long-term debt	41,500	76,459
Accounts payable	502,012	499,547
Accrued expenses	679,039	611,395
Deferred revenue	291,042	393,650
Agency funds payable	224,722	204,979
Current portion of lease liabilities	151,253	154,780
Current portion of settlement - Pension Benefit Guaranty Corporation	<u>94,600</u>	<u>94,600</u>
Total current liabilities	2,952,222	2,513,464
Lease liabilities, net of current portion (Note 11)	149,623	300,876
Settlement - Pension Benefit Guaranty Corporation, net of current portion (Note 9)	418,405	665,235
Long-term debt, net (Note 7)	<u>-</u>	<u>604,073</u>
Total liabilities	<u>3,520,250</u>	<u>4,083,648</u>
Commitments and contingencies (Notes 15 and 16)		
Net assets:		
Without donor restrictions	19,272,013	21,565,582
With donor restrictions	<u>1,520,595</u>	<u>1,688,078</u>
Total net assets	<u>20,792,608</u>	<u>23,253,660</u>
Total liabilities and net assets	<u>\$ 24,312,858</u>	<u>\$ 27,337,308</u>

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, 2024**

**(with comparative totals for the year ended September 30, 2023)**

	For the Year Ended September 30, 2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating:				
Support:				
Contributions	\$ 821,829	\$ -	\$ 821,829	\$ 831,523
Town of Palm Beach United Way	318,600	-	318,600	320,100
Special events, net	261,323	-	261,323	17,672
Fees and grants	8,712,853	383,317	9,096,170	10,245,576
Revenue:				
Program service fees (including Medwaiver and Medicaid)	5,386,497	-	5,386,497	5,806,120
Investment and other, net	101,952	-	101,952	298,871
Net assets released from restrictions	<u>550,800</u>	<u>(550,800)</u>	<u>-</u>	<u>-</u>
Total operating support and revenue	<u>16,153,854</u>	<u>(167,483)</u>	<u>15,986,371</u>	<u>17,519,862</u>
Expenses:				
Program services	15,941,723	-	15,941,723	15,017,640
General and administrative	2,022,410	-	2,022,410	3,040,355
Fundraising	<u>809,879</u>	<u>-</u>	<u>809,879</u>	<u>977,444</u>
Total expenses	<u>18,774,012</u>	<u>-</u>	<u>18,774,012</u>	<u>19,035,439</u>
Change in net assets - operating	(2,620,158)	(167,483)	(2,787,641)	(1,515,577)
Nonoperating:				
Gain on sales of property and equipment, net	509,359	-	509,359	-
Employee Retention Credit, net of fees (Note 15)	-	-	-	2,166,137
Adjustment to discount on settlement with PBGC	<u>(182,770)</u>	<u>-</u>	<u>(182,770)</u>	<u>(49,099)</u>
Change in net assets	(2,293,569)	(167,483)	(2,461,052)	601,461
Net assets, beginning of year	<u>21,565,582</u>	<u>1,688,078</u>	<u>23,253,660</u>	<u>22,652,199</u>
Net assets, end of year	<u>\$ 19,272,013</u>	<u>\$ 1,520,595</u>	<u>\$ 20,792,608</u>	<u>\$ 23,253,660</u>

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, 2024**

**(with comparative totals for the year ended September 30, 2023)**

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (2,461,052)	\$ 601,461
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	774,687	927,959
Amortization of loan costs	4,553	2,375
Amortization of discount on settlement	182,770	49,099
Gain on sales of property and equipment	(509,359)	(2,850)
Noncash lease cost	1,278	16,859
Changes in operating assets and liabilities:		
Grants, accounts and other receivables	401,314	353,268
Unconditional promises to give, net	-	92,593
Prepaid expenses and other current assets	(22,861)	(54,609)
Accounts payable	2,465	(174,245)
Accrued expenses	67,644	(78,823)
Agency funds payable	19,743	28,045
Deferred revenue	(102,608)	(1,535,611)
Net cash (used in) provided by operating activities	<u>(1,641,426)</u>	<u>225,521</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,094,981)	(2,699,128)
Proceeds from sales of property and equipment	1,486,222	2,850
(Advances to) collections received from Housing, net	(2,797)	100,145
Decrease (increase) in other assets	3,205	(4,587)
Net cash provided by (used in) investing activities	<u>391,649</u>	<u>(2,600,720)</u>
Cash flows from financing activities:		
Borrowings on lines of credit	685,207	220,395
Repayments of lines of credit	(195,207)	(345,364)
Settlement payments - Pension Benefit Guaranty Corporation	(429,600)	(44,631)
Principal repayments of long-term debt	(643,585)	(73,342)
Net cash used in financing activities	<u>(583,185)</u>	<u>(242,942)</u>
Net change in cash, cash equivalents, and restricted cash	(1,832,962)	(2,618,141)
Cash, cash equivalents, and restricted cash beginning of year	<u>3,953,459</u>	<u>6,571,600</u>
Cash, cash equivalents, and restricted cash end of year	<u>\$ 2,120,497</u>	<u>\$ 3,953,459</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 72,677</u>	<u>\$ 94,823</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, 2024 (with comparable totals for the year ended 2023)**

	Adult Career Education	Charter Schools	Residential Services	Early Intervention	Respite and Recreation	Family Support	Thrift Store	Total Program Services	General and Administrative	Fundraising	2024 Total Expenses	2023 Total Expenses
Salaries	\$ 1,588,083	\$ 715,504	\$ 1,996,009	\$ 2,154,186	\$ 620,333	\$ 1,472,799	\$ 146,226	\$ 8,693,140	\$ 1,943,492	\$ 376,769	\$ 11,013,401	\$ 10,685,533
Employee benefits	178,662	128,858	278,327	349,920	72,240	247,102	22,861	1,277,970	300,641	37,984	1,616,595	1,426,664
Payroll taxes	121,522	52,765	151,161	160,452	47,809	114,823	11,052	659,584	147,688	27,245	834,517	825,421
Total salaries and related expenses	1,888,267	897,127	2,425,497	2,664,558	740,382	1,834,724	180,139	10,630,694	2,391,821	441,998	13,464,513	12,937,618
Professional fees	5,082	371,804	1,921	9,053	-	28,415	-	416,275	247,467	25,010	688,752	1,357,450
Supplies	177,970	21,822	112,674	108,734	37,180	41,909	4,477	504,766	154,441	3,917	663,124	697,926
Telephone	14,172	6,978	36,327	26,688	3,002	9,130	1,161	97,458	36,780	6,349	140,587	147,701
Postage	4,192	42	133	66	2	380	-	4,815	2,205	1,397	8,417	34,680
Occupancy	10,843	-	151	178,367	19	3,118	31	192,529	43,742	418	236,689	217,476
Utilities	50,492	4,285	113,339	-	-	34,066	17,064	219,246	100,044	1,390	320,680	321,531
Repairs and maintenance	22,209	20,345	94,094	385	-	4,947	2,638	144,618	275,259	15,521	435,398	340,220
Bank and payroll processing fees	3,482	8,640	6,778	12,020	22,637	6,982	157	60,696	103,798	5,128	169,622	136,012
Information technology	4,635	11,500	9,022	15,999	30,131	9,294	209	80,790	138,158	6,825	225,773	215,703
Membership dues	954	2,369	1,858	3,295	6,207	1,915	43	16,641	28,460	1,406	46,507	83,394
Printing and promotion	5,626	8,253	13	35	14,097	8,906	995	37,925	9,836	117,222	164,983	82,438
Transportation	21,128	15,402	8,727	72,829	23,852	21,992	2,438	166,368	39,100	378	205,846	195,373
Training and meetings	1,188	5,161	3,928	4,466	5,398	4,528	53	24,722	3,350	930	29,002	142,813
Insurance	20,556	10,314	42,151	-	-	61,817	1,927	136,765	572,607	-	709,372	595,292
Miscellaneous	5,051	12,533	9,833	17,436	32,837	10,128	228	88,046	150,565	7,438	246,049	182,471
Interest expense	-	-	-	-	-	-	-	-	98,572	-	98,572	97,199
Bad debt expense	-	-	-	-	-	-	-	-	75,285	-	75,285	261,068
Grants	31,454	-	-	-	-	8,427	1,729	41,610	-	27,856	69,466	60,168
Administrative overhead	356,527	721,326	660,764	543,881	218,145	321,703	-	2,822,346	(2,965,564)	143,906	688	947
Total expenses before depreciation	2,623,828	2,117,901	3,527,210	3,657,812	1,133,889	2,412,381	213,289	15,686,310	1,505,926	807,089	17,999,325	18,107,480
Depreciation	43,073	15,648	157,881	-	-	22,388	16,423	255,413	516,484	2,790	774,687	927,959
Total expenses	\$ 2,666,901	\$ 2,133,549	\$ 3,685,091	\$ 3,657,812	\$ 1,133,889	\$ 2,434,769	\$ 229,712	\$ 15,941,723	\$ 2,022,410	\$ 809,879	\$ 18,774,012	\$ 19,035,439

See accompanying notes to consolidated financial statements.



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

## NOTES TO CONSOLIDATED 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 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 – The Arc helps people with developmental disabilities become independent and involved in the community through a hands-on learning experiences which includes life skills coaching, supervised work experiences, vocational training, and job-skills training. Employment Coaches help those served to obtain appropriate employment as well as assisting them to master their job skills.
- b. Charter Schools – Seagull Academy for Independent Living (Seagull Academy) and Potentials Charter Schools (Potentials) are affiliated with the School District of Palm Beach County. Both Potentials and Seagull Academy provide 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 – 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.
- d. Early Intervention programs – Provides in-home services to families of children between birth to five years of age who demonstrate a mild delay in child development, as well as, developmental services in local pediatricians' offices to improve health, development and emotional wellness of children up to age three. Further, the program provides short-term, in-home developmental services to children up to age 5, who have slight developmental delays. Trained specialists provide developmental interventions in the children's home or daycare for 6 months.
- e. Thrift Store – Single thrift store location in Palm Springs, Florida. The Arc collects donated items from the general public and sells them for the benefit of its rehabilitative programs.
- f. Respite and Recreation services – Offers a variety of recreational camp experiences for children, teens and young adults. Well trained staff facilitate a safe, active community-based experience with developmental, social and behavioral support services to youth enrolled in approved afterschool, day camp and summer camp programs throughout the county. Respite services consists of in-home care to children with development delay which allows the parents the opportunity to balance their lives and recharge.

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

**Note 1 – Nature of Activities, Continued**

Description of program services, continued

- g. 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.

**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.

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

**Note 2 – Summary of Significant Accounting Policies, Continued**

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.

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:

	2024	2023
Cash and cash equivalents	\$ 1,813,421	\$ 3,743,459
Cash restricted for client funds	<u>307,076</u>	<u>210,000</u>
Total	<u>\$ 2,120,497</u>	<u>\$ 3,953,459</u>

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

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

**Note 2 – Summary of Significant Accounting Policies, Continued**

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.

Grants, accounts, and other receivables

Accounts receivable is stated at the amount of the uncollected balances less an allowance for credit losses. 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 September 30, 2024 and 2023, the allowance for credit losses was \$75,000 and \$90,846, 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, 2024 and 2023.

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 \$1,000 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 elects not to recognize ROU assets for leases with a term of twelve (12) months or less. The total cost of these short-term leases were \$19,638 and \$27,237, respectively, for the years ended September 30, 2024 and 2023.

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

**Note 2 – Summary of Significant Accounting Policies, Continued**

Leases, continued

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. 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, 2024 and 2023, 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, 2024 and 2023.

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 2024 and 2023. The Arc, Seagull, and PBHC are no longer subject to income tax examinations for fiscal years prior to 2021.

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

**Note 2 – Summary of Significant Accounting Policies, Continued**

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.

Fair value of financial instruments

The carrying amounts of financial instruments, including cash and cash equivalents, restricted cash, accounts, 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.

Reclassifications

Certain financial statement items have been reclassified from their 2023 presentation to conform with the 2024 presentation of the consolidated financial statements. Such reclassifications have no effect on the change in net assets previously reported.

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*.

Recently adopted accounting principle

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by The Arc that are subject to the guidance in FASB ASC 326 were accounts receivable. The Arc adopted the standard, effective October 1, 2023.

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

**Note 2 – Summary of Significant Accounting Policies, Continued**

Recently adopted accounting principle, continued

The adoption of Topic 326 was not considered material to the consolidated financial statements of The Arc and primarily resulted in new and enhanced disclosures only.

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, 2023, 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, 2024 and 2023 are:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,813,421	\$ 3,743,459
Grants, accounts and other receivables, net	<u>1,226,303</u>	<u>1,627,617</u>
Total financial assets	3,039,724	5,371,076
Less financial assets held to meet donor-imposed and/or contractual restrictions:		
Board designated net assets	(265,950)	(265,950)
Subject to appropriation and satisfaction of donor-restrictions	<u>(1,520,595)</u>	<u>(1,663,078)</u>
Amount available for general expenditures within one year	<u>\$ 1,253,179</u>	<u>\$ 3,442,048</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 working capital and construction lines of credit aggregating \$2,450,000 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, 2024 and 2023:

	2024	2023
Grants receivable	\$ 1,042,545	\$ 1,314,237
Accounts receivable	104,805	283,517
Client accounts receivable	153,953	119,888
Other receivables	<u>-</u>	<u>821</u>
Sub-total	1,301,303	1,718,463
Allowance for doubtful accounts	<u>(75,000)</u>	<u>(90,846)</u>
Total	<u>\$ 1,226,303</u>	<u>\$ 1,627,617</u>

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

**Note 5 – Property and Equipment**

Property and equipment at September 30, 2024 and 2023 consists of the following:

	2024	2023
Land and land improvements	\$ 3,574,933	\$ 3,520,102
Buildings and improvements	19,968,913	18,423,642
Furniture, fixtures and equipment	1,185,129	1,214,465
Vehicles	<u>740,154</u>	<u>772,154</u>
Subtotal	25,469,129	23,930,363
Less: accumulated depreciation	<u>(6,099,094)</u>	<u>(5,958,344)</u>
Operating property and equipment, net	19,370,035	17,972,019
Real estate held for sale	336,477	700,006
Construction in progress	<u>779,280</u>	<u>2,470,336</u>
Total property and equipment, net	<u>\$ 20,485,792</u>	<u>\$ 21,142,361</u>

Depreciation expense totaled \$774,687 and \$927,959, respectively, for the years ended September 30, 2024 and 2023. 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, 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, 2023, real estate held for sale consists of certain real property located in Riviera Beach, Florida, held for sale. During the year ended September 30, 2024, The Arc sold the property for a total sales price \$1,050,000. Approximately \$621,000 of the proceeds from the sale were used to pay off the property's related mortgage debt (Note 7). As of September 30, 2024, real estate held for sale consists of certain real property held for sale located in Boca Raton, Florida.

**Note 6 – Deferred Revenue**

Agency refundable advance

Prior to 2023, 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 and \$370,904 was recognized as grant revenue for the year ended September 30, 2024. The Arc received an additional \$250,000 in Agency refundable advances during 2024, none of which was utilized as of September 30, 2024. The contract with the Agency has been extended through June 30, 2026, in order for The Arc to complete the renovation project.



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

**Note 7 – Long-Term Debt**

Long-term debt includes the following at September 30, 2024 and 2023:

	2024	2023
Note payable – bank, collateralized by certain real property; interest at 4% and principal payable through maturity in September 2025.	\$ 41,500	\$ 81,478
Mortgage payable – bank, paid in full during 2024.	-	603,607
Total long-term debt	41,500	685,085
Less: unamortized loan costs	-	(4,553)
Less: current portion of long-term debt	(41,500)	(76,459)
Long-term debt, net	<u>\$ -</u>	<u>\$ 604,073</u>

**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 (8.00% as of September 30, 2024). At September 30, 2024, outstanding borrowings on The Arc line of credit amounted to \$490,000. The Arc Line of Credit automatically renews each year until it is cancelled by The Arc or the bank.

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 (8.00% as of September 30, 2024). At September 30, 2024, outstanding borrowings on the construction line amounted to \$282,847. The construction line is renewed annually and is secured by a money market account.

Subsequent to September 30, 2024, 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%.

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 (8.00% as of September 30, 2024). At September 30, 2024, outstanding borrowings on the non-revolving line amounted to \$195,207. The non-revolving line expires 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.

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

**Note 9 – Defined Benefit Pension Plan, Continued**

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.

The table below represents the schedule of payments to PBGC required under the settlement in each of the five years subsequent to September 30, 2024, and thereafter:

<u>Year Ending September 30,</u>	<u>Amount</u>
2025	\$ 94,600
2026	94,600
2027	94,600
2028	94,600
2029	120,900
Thereafter	<u>148,600</u>
Total scheduled payments	647,900
Less: amount representing interest	<u>(134,895)</u>
Net present value at September 30, 2024	<u>\$ 513,005</u>

**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, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Time restrictions expired on Town of Palm Beach		
United Way allocations	\$ -	\$ 318,600
Other releases of restrictions	<u>550,800</u>	<u>1,437,833</u>
	<u>\$ 550,800</u>	<u>\$ 1,756,433</u>

Net assets with donor restrictions as of September 30, 2024 and 2023 are restricted by donors for the following purposes:

	<u>2024</u>	<u>2023</u>
Time and purpose restrictions:		
Capital campaign	\$ 546,336	\$ 704,860
Charter school	229,052	196,397
Community living	513,756	536,457
Children's Services	100,000	110,000
Food services	72,644	78,597
Family support services	-	499
Early intervention programs	4,947	7,408
Endowment	<u>28,860</u>	<u>28,860</u>
	<u>\$ 1,495,595</u>	<u>\$ 1,663,078</u>

At September 30, 2024 and 2023, The Arc has \$25,000 of net assets with donor restrictions of a perpetual nature.

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

**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:

	2024	2023
ROU assets – operating leases	<u>\$ 282,739</u>	<u>\$ 438,797</u>
Current operating lease liabilities	\$ 151,253	\$ 154,780
Noncurrent operating lease liabilities	<u>149,623</u>	<u>300,876</u>
Total operating lease liabilities	<u>\$ 300,876</u>	<u>\$ 455,656</u>

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

	2024	2023
Operating lease cost	\$ 273,983	\$ 236,992
Variable lease cost	-	18,970
Short-term lease cost	<u>19,638</u>	<u>27,237</u>
Total lease cost	<u>\$ 293,621</u>	<u>\$ 283,199</u>

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

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	\$ 168,994	\$ 153,414
Non-cash activities - ROU assets obtained in exchange for lease liabilities	\$ -	\$ 283,199

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

	2024	2023
Weighted average remaining lease term (years)	1.87	2.79
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, 2024:

Year Ending September 30,	Minimum Lease Payments
2025	\$ 159,604
2026	<u>152,217</u>
Total minimum lease payments	311,821
Less: imputed interest	<u>(10,945)</u>
Present value minimum lease payments	<u>\$ 300,876</u>

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

**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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 is approximately \$1,646,000.

**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 2023, 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, 2024 and 2023, amounts due from Housing approximated \$3,000 and \$0, respectively, and are included in prepaid expenses and other current assets in the accompanying consolidated statements 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, 2024 and 2023. Costs for such insurance services for the years ended September 30, 2024 and 2023, approximated \$135,000 and \$123,000, respectively.

**Note 15 – Federal COVID-19 Relief – Employee Retention Credit**

The CARES Act provides an employee retention credit ("CARES Act Employee Retention Credit"), which is a refundable tax credit against certain employment taxes of up to \$7,000 per employee for eligible employers. Additional relief provisions were passed by the United States government, which extend and slightly expanded the qualified wage caps on these credits through September 30, 2021. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through September 30, 2021.

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

**Note 15 – Federal COVID-19 Relief – Employee Retention Credit, Continued**

During the year ended September 30, 2023, The Arc received \$2,531,997 related to the CARES Act Employee Retention Credit. The Arc incurred professional fees, totaling \$365,860 related to the analysis, preparation, and filing of the CARES Act Employee Retention Credit's amended Forms 941-X. The amount of income recognized, net of related professional fees, amounted to \$2,166,137 and is classified as nonoperating income for the year ended September 30, 2023. Amounts received may be subject to audit by the IRS and any disallowed expenses might constitute a liability to The Arc for return of those funds. Although this is a possibility, The Arc considers the contingency remote, since management believes that The Arc has fulfilled the provisions of the CARES Act Employee Retention Credit and subsequent guidance from the IRS.

**Note 16 – 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 17 – Subsequent Events**

Management evaluated activity of The Arc subsequent to September 30, 2024 through March 21, 2025, 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.

**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. 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 financial statements of The Arc of Palm Beach County, Inc. and consolidated affiliates (The Arc) (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated 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 March 21, 2025.

**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 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'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.

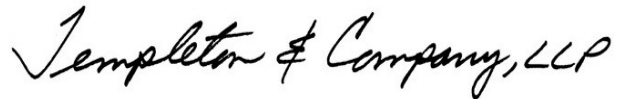
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 determination of consolidated 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. and consolidated affiliates' 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.

A handwritten signature in black ink that reads "Templeton & Company, LLP". The signature is written in a cursive, flowing style.

West Palm Beach, Florida  
March 21, 2025