

ARC BROWARD, INC.
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

**ARC BROWARD, INC.
AND AFFILIATE**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arc Broward, Inc. and Affiliate

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Arc Broward, Inc. and Affiliate which comprise the combined statements of financial position as of September 30, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Arc Broward, Inc. and Affiliate as of September 30, 2019 and 2018, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Arc Broward, Inc. and Affiliate
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Report on Supplementary Schedules

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules on pages 19 - 25 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General* of the State of Florida, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 January 22, 2020, on our consideration of Arc Broward, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arc Broward, Inc. and Affiliate's internal control over financial reporting and compliance.

Monison, Brown, Aziz & Fana

Fort Lauderdale, Florida
January 22, 2020

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

ASSETS	2019	2018
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,110,722	\$ 1,712,157
Restricted cash	1,568,730	880,564
Accounts receivable, net	1,810,156	1,464,627
Current portion of pledges receivable, net	536,148	382,660
Prepaid expenses and other assets	123,505	214,553
TOTAL CURRENT ASSETS	5,149,261	4,654,561
PLEDGES RECEIVABLE, NET, LESS CURRENT PORTION	396,072	79,746
PROPERTY AND EQUIPMENT, NET	6,988,556	4,892,566
OTHER ASSETS	24,839	14,047
TOTAL ASSETS	\$ 12,558,728	\$ 9,640,920
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 525,991	\$ 298,809
Accrued expenses	1,103,925	711,461
Retainage payable - construction	516,849	-
Current portion of notes payable	115,159	104,847
Deferred revenue	26,344	17,170
TOTAL CURRENT LIABILITIES	2,288,268	1,132,287
NOTES PAYABLE, LESS CURRENT PORTION	-	103,642
TOTAL LIABILITIES	2,288,268	1,235,929
NET ASSETS:		
Without donor restrictions	8,036,163	7,182,618
With donor restrictions	2,234,297	1,222,373
TOTAL NET ASSETS	10,270,460	8,404,991
TOTAL LIABILITIES AND NET ASSETS	\$ 12,558,728	\$ 9,640,920

The accompanying notes are an integral part of these combined financial statements.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30,

	2019	2018
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:		
Program service fees, including grant/contract revenue	\$ 16,460,740	\$ 15,479,353
Contributions	737,983	714,405
Special events	203,310	243,945
Other income	81,237	91,571
Net assets released from restrictions	<u>379,298</u>	<u>300,000</u>
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	<u>17,862,568</u>	<u>16,829,274</u>
OPERATING EXPENSES:		
Program services	14,821,658	14,525,416
Supporting services:		
General and administration	1,912,003	1,987,252
Fundraising	<u>275,362</u>	<u>282,090</u>
TOTAL OPERATING EXPENSES	<u>17,009,023</u>	<u>16,794,758</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>853,545</u>	<u>34,516</u>
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:		
Contributions	1,391,222	574,220
Net assets released from restrictions	<u>(379,298)</u>	<u>(300,000)</u>
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	<u>1,011,924</u>	<u>274,220</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,011,924</u>	<u>274,220</u>
CHANGE IN TOTAL NET ASSETS	1,865,469	308,736
NET ASSETS - BEGINNING OF YEAR	<u>8,404,991</u>	<u>8,096,255</u>
NET ASSETS - END OF YEAR	<u>\$ 10,270,460</u>	<u>\$ 8,404,991</u>

The accompanying notes are an integral part of these combined financial statements.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services					Supporting Services			
	Children's Services	Adult Services	Transportation Services	Workforce and School to Work Transition Services	Social Enterprise	Total Program Services	General and Administration	Fundraising	Total
PERSONNEL COSTS:									
Salaries	\$ 3,229,736	\$ 4,419,908	\$ 177,110	\$ 938,644	\$ 854,281	\$ 9,619,679	\$ 1,150,354	\$ 175,539	\$ 10,945,572
Payroll taxes and employee benefits	509,293	768,135	24,293	148,083	160,351	1,610,155	226,851	29,421	1,866,427
TOTAL PERSONNEL COSTS	3,739,029	5,188,043	201,403	1,086,727	1,014,632	11,229,834	1,377,205	204,960	12,811,999
OTHER EXPENSES:									
Insurance	76,540	145,992	24,175	20,042	48,940	315,689	48,862	1,331	365,882
Utilities	71,734	170,221	396	10,575	83,121	336,047	40,908	2,570	379,525
Quality assessment fee	-	289,408	-	-	-	289,408	-	-	289,408
Transportation	14,430	54,447	65,276	10,509	10,004	154,666	7,799	-	162,465
Maintenance and repairs	31,774	233,867	10	6,724	56,327	328,702	20,365	970	350,037
Food and dietary costs	1,445	96,067	-	2,983	75,672	176,167	521	683	177,371
Warehouse and equipment rental	16,386	10,720	311	7,075	207,674	242,166	10,621	-	252,787
Office supplies and expense	10,599	18,258	617	10,947	124,221	164,642	55,805	4,075	224,522
Program supplies	49,578	269,489	1,369	9,630	326,729	656,795	25,072	45	681,912
Purchased services	40,629	81,218	718	26,501	116,630	265,696	35,762	905	302,363
Telephone	26,079	16,191	5,392	15,810	8,860	72,332	13,783	2,033	88,148
Travel, training and meetings	34,539	1,408	-	24,040	13,181	73,168	9,176	2,111	84,455
Professional services	6,645	6,645	-	43,191	-	56,481	79,556	-	136,037
Interest	-	7,009	-	-	-	7,009	-	-	7,009
Licenses, dues and memberships	5,147	28,243	-	3,368	30,948	67,706	12,781	4,015	84,502
Fundraising	-	-	-	-	-	-	480	51,619	52,099
Other	16,486	26,767	1,054	4,422	56,614	105,343	9,584	45	114,972
Depreciation	26,234	208,253	-	798	44,522	279,807	163,723	-	443,530
TOTAL EXPENSES	\$ 4,167,274	\$ 6,852,246	\$ 300,721	\$ 1,283,342	\$ 2,218,075	\$ 14,821,658	\$ 1,912,003	\$ 275,362	\$ 17,009,023

The accompanying notes are an integral part of these combined financial statements.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services					Supporting Services			
	Children's Services	Adult Services	Transportation Services	Workforce and School to Work Transition Services	Social Enterprise	Total Program Services	General and Administration	Fundraising	Total
PERSONNEL COSTS:									
Salaries	\$ 3,158,869	\$ 4,188,656	\$ 173,319	\$ 900,769	\$ 919,561	\$ 9,341,174	\$ 1,153,832	\$ 163,636	\$10,658,642
Payroll taxes and employee benefits	495,823	760,592	21,319	142,220	168,364	1,588,318	276,855	27,431	1,892,604
TOTAL PERSONNEL COSTS	3,654,692	4,949,248	194,638	1,042,989	1,087,925	10,929,492	1,430,687	191,067	12,551,246
OTHER EXPENSES:									
Insurance	63,889	131,583	36,488	20,046	32,639	284,645	40,878	1,152	326,675
Utilities	70,526	174,791	394	10,436	68,707	324,854	46,106	2,539	373,499
Quality assessment fee	-	287,658	-	-	-	287,658	-	-	287,658
Transportation	9,269	62,840	73,631	10,435	19,454	175,629	8,637	-	184,266
Maintenance and repairs	33,123	152,628	10	3,639	47,120	236,520	22,543	1,074	260,137
Food and dietary costs	608	89,774	-	2,836	59,603	152,821	154	374	153,349
Warehouse and equipment rental	18,328	18,261	1,415	9,573	275,207	322,784	4,116	-	326,900
Office supplies and expense	13,658	25,291	339	5,270	121,762	166,320	65,058	5,691	237,069
Program supplies	49,215	157,228	1,593	8,256	410,516	626,808	24,203	1,835	652,846
Purchased services	28,406	99,892	1,263	23,283	161,534	314,378	36,945	20,725	372,048
Telephone	30,193	48,435	4,268	10,872	10,882	104,650	18,533	2,544	125,727
Travel, training and meetings	45,003	2,637	-	29,198	26,087	102,925	11,130	1,614	115,669
Professional services	-	-	-	55,971	-	55,971	91,605	-	147,576
Interest	-	24,590	-	-	1,865	26,455	-	-	26,455
Licenses, dues and memberships	3,901	22,835	300	2,247	42,636	71,919	13,372	2,943	88,234
Fundraising	1,032	-	-	-	-	1,032	-	50,491	51,523
Other	11,095	28,159	41	1,553	43,740	84,588	24,198	41	108,827
Depreciation	14,777	172,113	-	443	68,634	255,967	149,087	-	405,054
TOTAL EXPENSES	\$ 4,047,715	\$ 6,447,963	\$ 314,380	\$ 1,237,047	\$2,478,311	\$14,525,416	\$ 1,987,252	\$ 282,090	\$16,794,758

The accompanying notes are an integral part of these combined financial statements.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,865,469	\$ 308,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	443,530	405,054
Gain on disposal of equipment	(62,539)	-
Capital campaign contributions	(698,354)	(271,543)
Bad debt expense	20,531	4,262
Amortization of pledge discount	(2,822)	(2,677)
Property and equipment received through contributions and grants	(180,301)	-
Grants restricted for capital improvements	(1,214,227)	-
Decrease (increase) in operating assets:		
Restricted cash	(688,166)	(234,868)
Accounts receivable	(366,060)	230,131
Prepaid expenses and other assets	91,048	(10,479)
Increase (decrease) in operating liabilities:		
Accounts payable	227,182	48,929
Retainage payable - construction	516,849	-
Accrued expenses	392,464	51,139
Deferred revenue	9,174	(8,100)
TOTAL ADJUSTMENTS	(1,511,691)	211,848
NET CASH PROVIDED BY OPERATING ACTIVITIES	353,778	520,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Other assets	(10,792)	6,916
Proceeds from sale of equipment	73,183	-
Proceeds from grants restricted for capital improvements	1,214,227	-
Purchases of property and equipment	(2,369,863)	(956,818)
NET CASH USED IN INVESTING ACTIVITIES	(1,093,245)	(949,902)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advance from construction loan payable	12,999	-
Principal payments on notes payable	(106,329)	(104,907)
Capital campaign contributions	231,362	350,157
NET CASH PROVIDED BY FINANCING ACTIVITIES	138,032	245,250
NET DECREASE IN CASH AND CASH EQUIVALENTS	(601,435)	(184,068)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,712,157	1,896,225
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,110,722	\$ 1,712,157
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 7,009	\$ 26,455
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING TRANSACTIONS:		
Contributions of property and equipment	\$ 180,301	\$ -

The accompanying notes are an integral part of these combined financial statements.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Arc Broward, Inc. and Affiliate (the "Organization") is comprised of Arc Broward, Inc. ("Arc Broward") and its affiliate under common control, Barc Housing, Inc. ("Barc").

Arc Broward is a not-for-profit corporation organized for the purpose of providing therapeutic, educational, vocational, residential and other related services to individuals with developmental disabilities and other life challenges. As part of the vocational services provided, Arc Broward offers culinary education programs and catering services to third parties. Additionally, Arc Broward operated an IT asset management center providing IT asset management services to third parties through April 2019.

Barc is a not-for-profit corporation organized for the purpose of providing housing to 36 low income individuals with disabilities. Barc is licensed by the State of Florida as an intermediate care facility for individuals with developmental disabilities and provides training, therapeutic and health-related services to its residents.

These financial statements are presented on a combined basis due to the existence of common members on the Board of Directors between Arc Broward and Barc and other factors. All intercompany balances and transactions have been eliminated.

Description of Programs

Children's Services: The Organization provides several center based programs for children and youth from the ages of 3 to 21 including preschool services, rehabilitation (occupational, physical and speech therapy), after-school and summer camp. These programs are highly structured and specialized and generally support children with developmental disabilities, mostly with medical and/or behavioral challenges. The Organization also provides in home supportive services such as respite care and developmental parent training (Parents As Teachers).

Adult Services: The Organization operates a variety of services for adults with developmental disabilities including owning five group homes located in single family neighborhoods in several cities in Broward County, Florida. Up to six adults occupy each home. Certain homes have live-in staff while others have staff that provide 24 hour coverage. The Organization also operates a thirty-six bed intermediate care facility that provides intensive therapeutic habilitation and behavioral & health-related services. This facility supports young adults and adults with significant behavioral and/or medical challenges.

The Organization offers a continuum of day services to approximately 170 adults with developmental disabilities, including those with complex behavioral needs and those who are aging. Currently, the three specialized day programs provide meaningful activities that promote health & wellness, independent living, fine arts instruction as well as providing well-coordinated behavioral, medical and social service supports.

Transportation Services: The Organization provides transportation to and from some of its programs. Specially adapted vehicles are available. The Organization operates a fleet of approximately 40 vehicles, including vans and automobiles.

Workforce and School to Work Transition Services: Through its Arc Works programs, the Organization offers several career related programs to assist participants to obtain and maintain employment, complete certified post-secondary education, and increase knowledge of financial stability concepts and behaviors. Long-term engagement in these services is intended to allow participants to earn, keep and grow assets while remaining employed and achieving self-sufficiency.

The Organization also supports youth transitioning to adulthood who are motivated to becoming employed. The School of Hire Education is a post-secondary high school that operates full time during the school year while Youth Links operates part time during the school year at local high schools and for 7 weeks during the summer at internship sites.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs (Continued)

Social Enterprise: The Organization operates two social enterprises that are designed to generate needed funds to support other services of the Organization and train and/or employ graduates of the Organization's post-secondary programs. These enterprises include:

Arc Educates offers a broad range of professional development opportunities to other human services agencies and individuals.

Arc Tech offered secure IT asset disposal and electronics recycling services through April 2019.

Arc Culinary offers private catering and contract meal production throughout the South Florida region and manages the City of Sunrise Grand Ballroom.

Basis of Presentation and Net Assets

The Organization prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as without donor restrictions on the accompanying Combined Statements of Activities.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers items with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes approximately \$1,303,000 and \$760,000 held for donor restricted capital improvements at September 30, 2019 and 2018, respectively. Additionally, as of September 30, 2019 and 2018, the restricted cash balance includes approximately \$95,000 and \$96,000, respectively, of residents' personal use portion of Social Security Benefits which are required to be deposited and safeguarded in a separate account by the Organization. Upon the request and approval of the Organization, the cash is distributed to the residents as needed for their personal needs. At September 30, 2019 and 2018, restricted cash also includes approximately \$171,000 and \$25,000, respectively, of grant funds that will be passed through the Organization to certain sub-recipients. The liabilities related to the residents' funds and pass through grant funds are included within the caption Accrued expenses in the accompanying Combined Statements of Financial Position.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Campaigns

Cash and pledges receivable (NOTE 5) pertaining to the capital campaign fund represent contributions collected and commitments from various individuals to fund the construction of the culinary expansion project and playground at Arc Broward. Those restrictions are considered to expire once the funds are used for construction or capital campaign related expenses are incurred.

Accounts Receivable, Net

Accounts receivable are reported at net realizable value and consists principally of amounts due for services rendered from government agencies and private parties. Receivables also consist of monies due from various funding sources.

The Organization's allowance for doubtful accounts is based on management's estimates of current economic conditions and historical information, and, in the opinion of management, is believed to be an amount sufficient to respond to normal business conditions. In estimating the allowance, management analyzes the accounts receivable aging, historical bad debts, and other factors. The Organization reviews its receivables aging on a regular basis to determine if any of the receivables are past due. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization's allowance for doubtful accounts was \$11,000 and \$19,000 at September 30, 2019 and 2018, respectively.

Property and Equipment, Net

Property and equipment are carried at cost if purchased or, if donated, at fair value on the date of the donation. Assets over \$1,000, which are expected to last over one year, are capitalized. The Organization follows the policy of providing for depreciation using the straight-line method over the estimated useful life of each type of assets. The estimated lives used in determining depreciation are:

Buildings and improvements	5 – 40 years
Equipment and furniture	5 – 20 years
Vehicles	3 – 5 years
Land improvements	10 – 25 years

If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, the contributions are recorded as support without donor restrictions.

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as an increase or decrease in net assets without donor restrictions. All assets classified as construction in progress are not depreciated until they are placed into service.

Long-Lived Assets

The Organization reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded during the years ended September 30, 2019 and 2018.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets primarily represent amounts paid in advance for insurance that benefits future periods.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue Recognition

Contribution Revenue and Unconditional Promises to Give

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are discounted using a risk adjusted interest rate and are recorded at net present value. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributions without any donor-imposed restrictions are reported as increases in net assets without donor restrictions. Contributions with any donor-imposed restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are transferred to net assets without restrictions. If a restriction is fulfilled in the same fiscal year in which the contribution is received, the contribution is reported as without donor restrictions in the accompanying Combined Statements of Activities.

Management reviews outstanding pledges on an ongoing basis. Management provides for probable uncollectible pledges through a provision for bad debt expense and an adjustment to the allowance based on its assessment of the current status of individual pledges receivable. Pledges receivable are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management determined that an allowance was not deemed necessary at September 30, 2019 and 2018.

Grants

The Organization receives grant funds from various social and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. Grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the unit of service has been performed. The Organization records advances at the start of each grant as a liability. Revenues and expenses, which are treated as reciprocal transactions, are recognized as the costs are incurred. Grant receivables as of the balance sheet date represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

Tuition and Fees – Arc Educates

Gross tuition and fees are recognized when earned and the expenses recognized when incurred. Accordingly, tuition and fees collected in advance are deferred and the revenue is recognized in the month the services are rendered. There was no deferred tuition and fees revenue at September 30, 2019 and 2018.

Donated Goods, Facilities and Services

Amounts have not been reflected in the combined financial statements for donated services unless they require specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services; however, it is not practical to determine the total number of such volunteer hours. Donated goods, facilities and services are recorded at fair value.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and by natural classification in the Combined Statements of Functional Expenses. Costs are assigned to program services, support services, or fundraising based on specific identification. Costs benefiting all types of services are primarily allocated based on the estimated utilization by the respective function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Arc Broward and Barc are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income tax expense was recorded.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and the State of Florida jurisdiction are the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or state examinations by tax authorities for years before 2016.

Risks and Uncertainties

The Organization depends heavily on contributions and grants for its revenue. The ability of certain contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions and grants to the Organization. While the Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

Concentrations and Credit Risk

During each of the years ended September 30, 2019 and 2018, the Organization received approximately 70% of its revenue from five Federal, state and local governmental agencies. If a significant reduction in the level of funding were to occur, it would have an adverse effect on the Organization's ability to continue operating the programs and services being provided. Management is not aware of any plans for significant reductions in the level of funding for the next fiscal year.

Concentration of credit risk with respect to receivables is limited to the five federal and state and local agencies disclosed above. As of September 30, 2019 and 2018, the five agencies accounted for approximately 85% and 80%, respectively, of the Organizations accounts receivable.

Concentration of credit risk with respect to pledges receivable was limited to one and three donors at September 31, 2019 and 2018, respectively. These donors represented approximately 92% and 94% of total pledges receivable as of September 30, 2019 and 2018, respectively.

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, and pledges receivable. The majority of the Organization's cash balance is in non-interest bearing accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times cash balances may exceed the FDIC coverage insurance limit. The Organization has not experienced any losses in such accounts.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

During the year ended June 30, 2019, the Organization adopted Accounting Standards Update 2016-14, Not for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include, but are not limited to: (a) requiring the presentation of two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor restrictions otherwise, (d) requiring the presentation of an analysis of expenses by function and nature, (e) requiring the disclosure of information regarding liquidity and availability of resources, and (f) presenting investment return net of external and direct internal investment expenses. In addition, the update removes the requirement that statements of cash flows using the direct method also present a reconciliation consistent with the indirect method. The Organization has applied the update retrospectively to all periods presented and adjusted the presentation of these combined financial statements accordingly. As a result, the Organization has reclassified amounts formerly classified as unrestricted net assets to net assets without donor restrictions, as well as, temporarily restricted and permanently restricted net assets to net assets with donor restrictions. The adoption of this update has no other material effect on the Organization’s combined financial position and changes in net assets. In addition, the Organization has elected to continue to present the Combined Statements of Cash Flows using the indirect method and has included separate Combined Statements of Functional Expenses in its combined financial statements.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the effect the update will have on its combined financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The Organization is currently evaluating the effect the update will have on its combined financial statements.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the Organization’s presentation of comparative periods in the combined financial statements will continue to be in accordance with current lease accounting. The Organization is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021, with early application permitted.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends the cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Combined Statements of Cash Flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effect the update will have on its combined financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an accounting standard update in an effort to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The FASB believes the update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of not-for-profit guidance, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional or not. The update is effective on a modified prospective basis for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its combined financial statements.

Subsequent Events

The Organization has evaluated subsequent events through January 22, 2020 which is the date the combined financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due. In managing its liquidity needs, the Organization monitors and maintains a cash float to cover general operating expenditures and established a strict annual budget. The Organization also has a line of credit available with borrowing capacity of up to \$750,000 which can be used to meet general expenditures within a year (NOTE 7).

The Organization's financial assets available within one year of the Combined Statements of Financial Position date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,110,722
Restricted cash	1,568,730
Accounts receivable	1,810,156
Pledges receivable	<u>536,148</u>
Total current financial assets	5,025,756
Less amounts unavailable for general expenditures within one year due to:	
Net assets restricted by donors for specific purposes and programs	1,838,225
Cash held on behalf of group home residents	95,295
Cash held on behalf of passthrough grant sub-recipients	<u>171,358</u>
	<u>\$ 2,920,878</u>

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at September 30,:

	2019	2018
Federal and state government	\$ 846,915	\$ 646,532
Local government and agencies	851,463	737,262
Other program services and insurance receivable	122,778	99,833
	1,821,156	1,483,627
Less: allowance for doubtful accounts	(11,000)	(19,000)
Total accounts receivable, net	\$ 1,810,156	\$ 1,464,627

Bad debt expense for the years ended September 30, 2019 and 2018 was approximately \$20,500 and \$4,300, respectively.

4. PROPERTY AND EQUIPMENT, NET

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

	2019	2018
Land	\$ 1,034,222	\$ 1,034,222
Buildings and improvements	10,095,271	10,052,928
Equipment and furniture	2,070,387	2,122,584
Vehicles	1,084,119	1,078,054
Land improvements	628,926	622,598
Construction in process	2,974,115	630,755
	17,887,040	15,541,141
Less: accumulated depreciation	(10,898,484)	(10,648,575)
	\$ 6,988,556	\$ 4,892,566

Depreciation expense for the years ended September 30, 2019 and 2018 was approximately \$444,000 and \$405,000, respectively.

5. PLEDGES RECEIVABLE, NET

Pledges receivable resulting from the capital fundraising campaign (NOTE 1) and annual fundraising activities are summarized as follows at September 30,:

	2019	2018
Due in less than one year	\$ 536,148	\$ 382,660
Due in more than one year	466,116	85,716
Total pledges receivable	1,002,264	468,376
Less: Unamortized discount	(70,044)	(5,970)
Pledges receivable, net	932,220	462,406
Less: Current pledges receivable	(536,148)	(382,660)
Non-current pledges receivable	\$ 396,072	\$ 79,746

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

5. PLEDGES RECEIVABLE, NET (CONTINUED)

Pledges receivable with payment terms in excess of one year have been discounted using a discount rate of interest (3.5%) to reflect their estimated present value. Pledges receivable are unsecured and are primarily from South Florida residents.

6. NOTES PAYABLE

Notes payable consists of the following at September 30,:

	2019	2018
On May 21, 2019, the Organization entered into a non-revolving note payable to finance the culinary expansion and other capital projects at Arc Broward. The terms of the note allows the Company to make advances to fund the construction up to a maximum of \$1,400,000. The loan will initially bear interest only on the outstanding loan balance at 2.75% plus the daily LIBOR rate. At September 30, 2019, the Company had drawn \$12,999 on the facility. Subsequent to the conversion date of May 21, 2020, the outstanding loan will bear interest at 2.75% plus the daily LIBOR rate as of the 21st of each month. The principal balance at the conversion date will be amortized over 5 years with outstanding interest and principle due on May 21, 2025.	\$ 12,999	\$ -
Installment obligation in connection with equipment purchase, payable in monthly installments of \$1,402, including interest at 4.56%, until March 2019. The obligation is collateralized by certain equipment.	-	8,872
Mortgage note payable to bank, payable in monthly installments of \$8,925, including interest at 6.79% until September 2020. This note is collateralized by real property in Broward County, Florida.	102,160	199,617
Total notes payable	115,159	208,489
Less: current portion	(115,159)	(104,847)
Note payable, less current portion	\$ -	\$ 103,642

As of September 30, 2019, future maturities for notes payable are \$115,159 due during the year ended September 30, 2020.

Interest expense on notes payable for the years ended September 30, 2019 and 2018 was approximately \$7,000 and \$26,000, respectively.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

7. LINE OF CREDIT

During the year ended September 30, 2018, the Organization had a credit line facility in the amount of \$350,000. On January 9, 2020, the line of credit's limit was increased to \$750,000. The line of credit bears interest at the daily LIBOR rate plus 2.75% (4.58% and 5.01% at September 30, 2019 and 2018, respectively). There was no balance outstanding on the credit line as of September 30, 2019 and 2018, nor did the Organization utilize the line of credit during the years ended September 30, 2019 and 2018. The line of credit expires on April 8, 2020.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are time and purpose restricted as follows at September 30,:

	<u>2019</u>	<u>2018</u>
Pledges receivable and restricted cash - capital campaigns	\$ 1,934,297	\$ 922,373
Pledges receivable - programs	300,000	300,000
	<u>\$ 2,234,297</u>	<u>\$ 1,222,373</u>

9. EMPLOYEE BENEFIT PLAN

The Organization has a 403(b) retirement plan, which is available to full time and part-time employees. Employees are eligible to participate at their hire date. After the equivalent of six months of employment, the Organization matches the employees' contributions. The Organization contributes fifty cents for every dollar contributed voluntarily by the employee up to a percentage determined annually by the Board of Directors. Total contribution expense for the years ended September 30, 2019 and 2018 was approximately \$63,000 and \$52,000, respectively.

10. COMMITMENTS AND CONTINGENCIES

Litigation

The Organization is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have an effect on the Organization's combined financial position or the results of its combined activities.

Grants

The Organization participates in a number of government-assisted grant programs, which are subject to financial and compliance audits by the granting agency. The combined financial statements do not include any adjustments for disallowed costs which may result from audits performed by the granting agencies. Management believes that no material liability would result from any such audits.

Leases

The Organization leases certain office space and equipment, and a warehouse facility, under operating leases. Expenses associated with these leases, and other expired arrangements, totaled approximately \$253,000 and \$327,000 for the years ended September 30, 2019 and 2018, respectively.

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

The following is a schedule of approximate future minimum payments required for these arrangements as of September 30, 2019:

For the years ending September 30,

2020	\$ 113,000
2021	107,000
2022	109,000
2023	111,000
2024	114,000
Thereafter	<u>152,000</u>
	<u>\$ 706,000</u>

Culinary Expansion Project

During the years ended September 30, 2019 and 2018, the Organization was engaged in a capital campaign to fund the construction of the culinary expansion project (the "Project") at Arc Broward.

The Project will assist more students in the pursuit of a career in culinary arts and ensure the program's long-term sustainability. The Project includes the build-out and equipping of approximately 8,000 square feet on the Arc Broward Regional campus in Sunrise, Broward County, Florida, and related improvements. The Organization owns the building and an adjacent one acre parcel that will be used for additional parking. The Project will include teaching kitchen areas, classrooms, lecture/demo room, cooking and preparation areas, storage, refrigeration and related commercial kitchen equipment, technology and other furnishings and equipment.

The Project is estimated to cost approximately \$5.6 million. Sources of funds to complete the Project include the Organization's general funds, state funding and pledges from individuals and private foundations. The Organization has secured \$2.1 million in cost reimbursement grants from the State of Florida. As of September 30, 2019 and 2018, the Organization had spent approximately \$1,000,000 and \$200,000, respectively, of the state grants on the Project which is reflected within the "Construction in progress" (NOTE 4). As of September 30, 2019 and 2018, all state grant expenditures made to date towards the Project had been reimbursed to the Organization. In addition to the state grants mentioned above, the Organization has secured approximately \$3.1 million in cash and pledges for the Project as of January 2020.

SUPPLEMENTAL SCHEDULES

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

ASSETS

	Arc Broward	Barc Housing, Inc.	Eliminations	Combined Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 676,834	\$ 433,888	\$ -	\$ 1,110,722
Restricted cash	1,519,340	49,390	-	1,568,730
Accounts receivable, net	1,435,371	374,785	-	1,810,156
Current portion of pledges receivable, net	536,148	-	-	536,148
Prepaid expenses and other assets	98,736	24,769	-	123,505
Due from affiliate	357,236	-	(357,236)	-
TOTAL CURRENT ASSETS	4,623,665	882,832	(357,236)	5,149,261
PLEDGES RECEIVABLE, NET, LESS CURRENT PORTION	396,072	-	-	396,072
PROPERTY AND EQUIPMENT, NET	6,545,063	443,493	-	6,988,556
OTHER ASSETS	24,839	-	-	24,839
TOTAL ASSETS	\$11,589,639	\$ 1,326,325	\$ (357,236)	\$ 12,558,728

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 438,878	\$ 87,113	\$ -	\$ 525,991
Accrued expenses	842,058	261,867	-	1,103,925
Retainage payable - construction	516,849	-	-	516,849
Current portion of notes payable	12,999	102,160	-	115,159
Deferred revenue	26,344	-	-	26,344
Due to affiliate	-	357,236	(357,236)	-
TOTAL CURRENT LIABILITIES	1,837,128	808,376	(357,236)	2,288,268
NET ASSETS:				
Without donor restrictions	7,518,214	517,949	-	8,036,163
With donor restrictions	2,234,297	-	-	2,234,297
TOTAL NET ASSETS	9,752,511	517,949	-	10,270,460
TOTAL LIABILITIES AND NET ASSETS	\$11,589,639	\$ 1,326,325	\$ (357,236)	\$ 12,558,728

See independent auditor's report.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

ASSETS

	<u>Arc Broward, Inc.</u>	<u>Barc Housing, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$1,561,210	\$ 150,947	\$ -	\$ 1,712,157
Restricted cash	821,857	58,707	-	880,564
Accounts receivable, net	1,056,520	408,107	-	1,464,627
Current portion of pledges receivable, net	382,660	-	-	382,660
Prepaid expenses and other assets	170,772	43,781	-	214,553
Due from affiliate	217,634	-	(217,634)	-
TOTAL CURRENT ASSETS	4,210,653	661,542	(217,634)	4,654,561
PLEDGES RECEIVABLE, NET, LESS CURRENT PORTION	79,746	-	-	79,746
PROPERTY AND EQUIPMENT, NET	4,496,759	395,807	-	4,892,566
OTHER ASSETS	14,047	-	-	14,047
TOTAL ASSETS	\$8,801,205	\$ 1,057,349	\$ (217,634)	\$ 9,640,920

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 230,864	\$ 67,945	\$ -	\$ 298,809
Accrued expenses	580,720	130,741	-	711,461
Current portion of notes payable	8,872	95,975	-	104,847
Deferred revenue	17,170	-	-	17,170
Due to affiliate	-	217,634	(217,634)	-
TOTAL CURRENT LIABILITIES	837,626	512,295	(217,634)	1,132,287
LONG-TERM LIABILITIES:				
Notes payable, less current portion	-	103,642	-	103,642
TOTAL LIABILITIES	837,626	615,937	(217,634)	1,235,929
NET ASSETS:				
Without donor restrictions	6,741,206	441,412	-	7,182,618
With donor restrictions	1,222,373	-	-	1,222,373
TOTAL NET ASSETS	7,963,579	441,412	-	8,404,991
TOTAL LIABILITIES AND NET ASSETS	\$8,801,205	\$ 1,057,349	\$ (217,634)	\$ 9,640,920

See independent auditor's report.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Arc Broward	Barc Housing, Inc.	Eliminations	Combined Total
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:				
Program service fees, including grant/contract revenue	\$ 11,684,237	\$ 4,776,503	\$ -	\$ 16,460,740
Management, developmental training fees, meal preparation, and production fees	1,664,309	-	(1,664,309)	-
Contributions	737,983	-	-	737,983
Special events	203,310	-	-	203,310
Other income	74,803	6,434	-	81,237
Net assets released from restriction	379,298	-	-	379,298
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	14,743,940	4,782,937	(1,664,309)	17,862,568
OPERATING EXPENSES:				
Program services	11,957,042	4,148,927	(1,284,311)	14,821,658
Supporting services:				
General and administration	1,734,528	557,473	(379,998)	1,912,003
Fundraising	275,362	-	-	275,362
TOTAL OPERATING EXPENSES	13,966,932	4,706,400	(1,664,309)	17,009,023
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	777,008	76,537	-	853,545
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:				
Contributions	1,391,222	-	-	1,391,222
Net assets released from restriction	(379,298)	-	-	(379,298)
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	1,011,924	-	-	1,011,924
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	1,011,924	-	-	1,011,924
CHANGE IN TOTAL NET ASSETS	1,788,932	76,537	-	1,865,469
NET ASSETS - BEGINNING OF YEAR	7,963,579	441,412	-	8,404,991
NET ASSETS - END OF YEAR	\$ 9,752,511	\$ 517,949	\$ -	\$ 10,270,460

See independent auditor's report.

**ARC BROWARD, INC.
AND AFFILIATE**

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Arc Broward	Barc Housing, Inc.	Eliminations	Combined Total
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:				
Program service fees, including grant/contract revenue	\$ 10,855,011	\$ 4,624,342	\$ -	\$ 15,479,353
Management, developmental training fees, meal preparation, and production fees	1,682,648	-	(1,682,648)	-
Contributions	714,405	-	-	714,405
Special events	243,945	-	-	243,945
Other income	79,953	11,618	-	91,571
Net assets released from restriction	300,000	-	-	300,000
TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS	13,875,962	4,635,960	(1,682,648)	16,829,274
OPERATING EXPENSES:				
Program services	11,743,739	4,119,613	(1,337,936)	14,525,416
Supporting services:				
General and administration	1,792,074	539,890	(344,712)	1,987,252
Fundraising	282,090	-	-	282,090
TOTAL OPERATING EXPENSES	13,817,903	4,659,503	(1,682,648)	16,794,758
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	58,059	(23,543)	-	34,516
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:				
Contributions	574,220	-	-	574,220
Net assets released from restriction	(300,000)	-	-	(300,000)
TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS	274,220	-	-	274,220
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	274,220	-	-	274,220
CHANGE IN TOTAL NET ASSETS	332,279	(23,543)	-	308,736
NET ASSETS - BEGINNING OF YEAR	7,631,300	464,955	-	8,096,255
NET ASSETS - END OF YEAR	\$ 7,963,579	\$ 441,412	\$ -	\$ 8,404,991

See independent auditor's report.

**ARC BROWARD, INC.
AND AFFILIATE**

SCHEDULE OF LOCAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Grantor	Program Title	Contract Number	Assistance
LOCAL FINANCIAL ASSISTANCE			
Children's Services Council of Broward County, Florida	Family Strengthening - Parents as Teachers Program	15-2108	\$ 624,106
	Maximize Out of School Time - Alternative Behavior Learning Environment	17-2109	1,602,751
	Supported Training Employment Program: Youth Links	15-2107	396,267
Broward County, Florida	Supportive Health Care Services for Special Needs Population	17-CP-HCS-8366-01	330,077
	Special Health Care Needs - Respite	17-CP-CSA-8366-01	234,947
	Special Health Care Needs - Respite	18-CP-CSA-8366-01	619,295
	Financial Stability - Center for Working Families	19-FSAD-8307-1	21,631
	ACT Transportation	N/A **	123,591
School Board of Broward County, Florida	Special Education - Infants Toddlers, and Preschoolers	N/A **	1,257,354
	School of Hire Education	N/A **	200,136
	School of Hire Transportation	N/A **	45,128
United Way	Alternative Behavior Learning Environment	N/A **	62,838
	Arc Works	N/A **	223,676
City of Plantation	Nursing Services	N/A **	4,838
			<u>\$ 5,746,635</u>

** - Contract number not available

See independent auditor's report.

**ARC BROWARD, INC.
AND AFFILIATE**

STATEMENTS OF ACTIVITIES – ARC EDUCATES
FOR THE YEARS ENDED SEPTEMBER 30,

	2019	2018
REVENUES WITHOUT DONOR RESTRICTIONS:		
Contributions	\$ 130,940	\$ 53,000
Tuition and training revenue	166,472	194,073
Private pay enterprise sales revenue	17,100	10,800
Other revenue	675	18,638
	<u>315,187</u>	<u>276,511</u>
TOTAL REVENUES WITHOUT DONOR RESTRICTIONS		
	<u>315,187</u>	<u>276,511</u>
OPERATING EXPENSES:		
Personnel Expenses		
Salaries	148,670	139,937
Payroll taxes	10,677	10,271
Workers compensation	1,162	918
Employee benefits	8,796	9,023
Other personnel expenses	257	15
	<u>169,562</u>	<u>160,164</u>
General and Administrative expense		
MIS support	1,731	1,509
Insurance	3,657	1,595
Office supplies and expense	4,462	4,593
Licenses and permits	2,928	9,835
Telephone	1,966	2,910
Meetings and travel	1,215	9,570
Memberships	5,176	2,927
Marketing	2,059	923
Miscellaneous	99	-
	<u>23,293</u>	<u>33,862</u>
Program Expenses		
Contracted services	36,898	21,469
Program supplies	4,454	6,395
Food, supplies and food services	12,188	13,272
	<u>53,540</u>	<u>41,136</u>
Plant Operations		
Property insurance	571	760
Security expense	11	18
Utilities	1,794	1,900
Housekeeping supplies	191	314
Facilities expense	3,342	822
	<u>5,909</u>	<u>3,814</u>
Allocations		
	<u>16,463</u>	<u>20,680</u>
TOTAL OPERATING EXPENSES:		
	<u>268,767</u>	<u>259,656</u>
CHANGE IN NET ASSETS		
	<u>\$ 46,420</u>	<u>\$ 16,855</u>

See independent auditor's report.

SINGLE AUDIT REPORTS

**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 Board of Directors
Arc Broward, Inc. and Affiliate

We have audited, in accordance with the 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 combined financial statements of Arc Broward, Inc. and Affiliate (the "Organization") (a nonprofit organization), which comprise the combined statement of financial position as of September 30, 2019, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 combined 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fort Lauderdale, Florida
January 22, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE MAJOR STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors
Arc Broward, Inc. and Affiliate

Report on Compliance with the Major State Project

We have audited Arc Broward Inc., and Affiliate (the "Organization")'s compliance with the types of compliance requirements described in Chapter 10.650, *Rules of the Auditor General* of the State of Florida that could have a direct and material effect on the Organization's major state project for the year ended September 30, 2019. The Organization's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the Organization's major state project based on our audit of the types of compliance requirements referred to above. 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 standards applicable to financial audits contained in Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards and Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

To the Board of Directors
Arc Broward, Inc. and Affiliate
Page Two

Report on Internal Control Over Compliance (Continued)

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 project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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. Accordingly, this report is not suitable for any other purpose.



Fort Lauderdale, Florida
January 22, 2020

SINGLE AUDIT SUPPLEMENTARY INFORMATION

**ARC BROWARD, INC.
AND AFFILIATE**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

State Grantor Pass through grantor State Project Title	CSFA Number	Contract/ Grant Number	Transfer to Sub-recipients	Expenditures
Agency of Persons with Disabilities Arc Brow ard Culinary Program	67.040	WCX26	\$ -	\$ 1,214,227
Department of Education and Commissioner of Education Voluntary Pre-kindergarten Education Program	48.108	N/A	\$ -	\$ 11,286
Department of Highway Safety and Motor Vehicles Achievement and Rehabilitation Centers, Inc., Autism Services	76.128	N/A	\$ -	\$ 206,446
Total Expenditures of State Financial Assistance			\$ -	\$ 1,431,959

**ARC BROWARD, INC.
AND AFFILIATE**

NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. GENERAL

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state grants activity of Arc Broward, Inc. and Affiliate (the "Organization") for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the combined financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of the Organization.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting.

3. SUB-RECIPIENTS

None of the expenditures of state financial assistance included in the Schedule were paid or provided to sub-recipients.

4. CONTINGENCY

The Organization is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that any expenditures are disallowed through an audit, repayment of such disallowances could be required.

**ARC BROWARD, INC.
AND AFFILIATE**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

SECTION III - STATE PROJECTS FINDINGS AND QUESTIONED COSTS

CURRENT YEAR FINDINGS

None.

PRIOR YEAR FINDINGS

None.

SECTION IV - OTHER ISSUES

A management letter is not required as there were no findings required to be reported in the management letter related to State Projects.

A Summary Schedule of Prior Audit Findings is not required as there were no findings required to be reported.

A Corrective Action Plan is not required as there were no findings required to be reported.