

ARC BROWARD, INC.  
AND AFFILIATE

---

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

**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, 2020 and 2019, 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, 2020 and 2019, 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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### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining information and supplemental schedules on pages 22 - 25 and 26 - 27, respectively, are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying Schedule of Expenditures of State Financial Assistance on pages 32 - 36 is presented for purposes of additional analysis as required by the audit requirements of Chapter 10.650, *Rules of the Auditor General* of the State of Florida, 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 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 supplemental combining information, the supplemental schedules, and the Schedule of Expenditures of State Financial Assistance are fairly stated in all material respects in relation to the combined financial statements as a whole.

### **Emphasis of Matter - Coronavirus**

As further discussed in Note 1, Arc Broward, Inc. and Affiliate is subject to the current economic and health conditions in the United States, including the coronavirus which was designated as a global pandemic by the World Health Organization on March 11, 2020. Management is currently assessing the impact of these conditions and continues to explore various options to minimize the financial impact; however, the ultimate outcome is not known as of the date these combined financial statements were available to be issued. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, 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, Ariz & Fava*

Fort Lauderdale, Florida  
January 27, 2021

**ARC BROWARD, INC.  
AND AFFILIATE**

COMBINED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30,

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,219,962	\$ 1,110,722
Restricted cash	271,805	1,568,730
Accounts receivable, net	1,666,901	1,810,156
Current portion of pledges receivable, net	183,065	536,148
Prepaid expenses and other current assets	136,697	123,505
TOTAL CURRENT ASSETS	5,478,430	5,149,261
PLEDGES RECEIVABLE, NET, LESS CURRENT PORTION	279,059	396,072
PROPERTY AND EQUIPMENT, NET	10,757,758	6,988,556
OTHER ASSETS	15,798	24,839
TOTAL ASSETS	<b>\$ 16,531,045</b>	<b>\$ 12,558,728</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 988,280	\$ 525,991
Accrued expenses	1,153,481	1,103,925
Retainage payable - construction	20,920	516,849
Notes payable	12,999	115,159
Paycheck Protection Program refundable advance	2,001,800	-
Deferred revenue	66,448	26,344
TOTAL CURRENT LIABILITIES	4,243,928	2,288,268
<b>NET ASSETS:</b>		
Without donor restrictions	12,234,177	8,036,163
With donor restrictions	52,940	2,234,297
TOTAL NET ASSETS	12,287,117	10,270,460
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 16,531,045</b>	<b>\$ 12,558,728</b>

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,

	<b>2020</b>	<b>2019</b>
<b>PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:</b>		
Program service fees, including grant/contract revenue	\$ 15,310,453	\$ 16,460,740
Contributions	873,126	737,983
Special events	210,109	203,310
Other income	59,037	81,237
Net assets released from restrictions	<u>3,119,306</u>	<u>379,298</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS</b>	<u>19,572,031</u>	<u>17,862,568</u>
<b>OPERATING EXPENSES:</b>		
Program services	13,577,969	14,821,658
Supporting services:		
General and administration	1,804,493	1,912,003
Fundraising	<u>291,555</u>	<u>275,362</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>15,674,017</u>	<u>17,009,023</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>3,898,014</u>	<u>853,545</u>
<b>PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:</b>		
Contributions	1,237,949	1,391,222
Net assets released from restrictions	<u>(3,119,306)</u>	<u>(379,298)</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS</b>	<u>(1,881,357)</u>	<u>1,011,924</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(1,881,357)</u>	<u>1,011,924</u>
<b>CHANGE IN NET ASSETS</b>	2,016,657	1,865,469
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>10,270,460</u>	<u>8,404,991</u>
<b>NET ASSETS - END OF YEAR</b>	<u><b>\$ 12,287,117</b></u>	<u><b>\$ 10,270,460</b></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, 2020

	Program Services					Supporting Services			Total
	Children's Services	Adult Services	Transportation Services	Workforce and School to Work Transition Services	Social Enterprise	Total Program Services	General and Administration	Fundraising	
PERSONNEL COSTS:									
Salaries	\$ 2,719,863	\$ 4,353,485	\$ 103,371	\$ 908,664	\$ 901,807	\$ 8,987,190	\$ 1,116,455	\$ 220,903	\$ 10,324,548
Payroll taxes and employee benefits	464,266	799,374	22,787	167,371	121,462	1,575,260	165,303	34,692	1,775,255
TOTAL PERSONNEL COSTS	3,184,129	5,152,859	126,158	1,076,035	1,023,269	10,562,450	1,281,758	255,595	12,099,803
OTHER EXPENSES:									
Insurance	78,398	166,727	26,334	21,869	34,092	327,420	60,668	1,595	389,683
Utilities	62,371	172,042	349	9,253	51,981	295,996	34,180	1,196	331,372
Quality assessment fee	-	305,698	-	-	-	305,698	-	-	305,698
Transportation	6,037	26,801	42,861	5,374	9	81,082	3,516	-	84,598
Maintenance and repairs	44,102	219,833	156	15,617	30,864	310,572	34,554	582	345,708
Food and dietary costs	701	150,613	-	1,552	22,006	174,872	528	65	175,465
Building and equipment rental	16,077	16,000	533	4,963	86,989	124,562	12,326	-	136,888
Office supplies and expense	4,450	20,363	887	5,986	43,367	75,053	35,898	3,783	114,734
Program supplies	117,441	190,824	864	4,569	213,110	526,808	12,645	99	539,552
Purchased services	42,192	62,896	698	24,012	51,465	181,263	19,483	1,457	202,203
Telephone	24,402	18,369	5,463	19,836	6,956	75,026	20,501	3,320	98,847
Travel, training and meetings	10,757	1,255	-	9,647	11,821	33,480	3,448	749	37,677
Professional services	18,261	18,261	-	18,261	2,283	57,066	81,477	-	138,543
Interest	-	-	-	-	-	-	4,637	-	4,637
Licenses, dues and memberships	5,206	36,315	-	1,910	18,170	61,601	10,187	2,260	74,048
Fundraising	-	-	-	-	-	-	-	20,852	20,852
Other	16,469	12,530	451	5,298	21,686	56,434	4,807	2	61,243
Depreciation	29,092	282,973	-	6,046	10,475	328,586	183,880	-	512,466
<b>TOTAL EXPENSES</b>	<b>\$ 3,660,085</b>	<b>\$ 6,854,359</b>	<b>\$ 204,754</b>	<b>\$ 1,230,228</b>	<b>\$ 1,628,543</b>	<b>\$ 13,577,969</b>	<b>\$ 1,804,493</b>	<b>\$ 291,555</b>	<b>\$ 15,674,017</b>

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			Total
	Children's Services	Adult Services	Transportation Services	Workforce and School to Work Transition Services	Social Enterprise	Total Program Services	General and Administration	Fundraising	
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
<b>TOTAL PERSONNEL COSTS</b>	<b>3,739,029</b>	<b>5,188,043</b>	<b>201,403</b>	<b>1,086,727</b>	<b>1,014,632</b>	<b>11,229,834</b>	<b>1,377,205</b>	<b>204,960</b>	<b>12,811,999</b>
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
Building 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
<b>TOTAL EXPENSES</b>	<b>\$ 4,167,274</b>	<b>\$ 6,852,246</b>	<b>\$ 300,721</b>	<b>\$ 1,283,342</b>	<b>\$ 2,218,075</b>	<b>\$ 14,821,658</b>	<b>\$ 1,912,003</b>	<b>\$ 275,362</b>	<b>\$ 17,009,023</b>

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,

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,016,657	\$ 1,865,469
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	512,466	443,530
Gain on disposal of equipment	-	(62,539)
Capital campaign contributions	(4,300)	(698,354)
Bad debt expense	6,298	20,531
Amortization of pledge discount	(38,303)	(2,822)
Property and equipment received through contributions	(646,712)	(180,301)
Grants restricted for capital improvements	(1,204,401)	(1,214,227)
Decrease (increase) in operating assets:		
Accounts receivable	136,957	(366,060)
Pledge receivable	300,000	-
Prepaid expenses and other current assets	(13,192)	91,048
Increase (decrease) in operating liabilities:		
Accounts payable	462,289	227,182
Accrued expenses	49,556	392,464
Retainage payable - construction	(495,929)	516,849
Proceeds from Paycheck Protection Program refundable advance	2,001,800	-
Deferred revenue	40,104	9,174
<b>TOTAL ADJUSTMENTS</b>	<b>1,106,633</b>	<b>(823,525)</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,123,290</b>	<b>1,041,944</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Other assets	9,041	(10,792)
Proceeds from sale of equipment	-	73,183
Proceeds from grants restricted for capital improvements	1,204,401	1,214,227
Purchases of property and equipment	(3,634,956)	(2,369,863)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,421,514)</b>	<b>(1,093,245)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Advance from construction loan payable	-	12,999
Principal payments on notes payable	(102,160)	(106,329)
Capital campaign contributions	212,699	231,362
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>110,539</b>	<b>138,032</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>812,315</b>	<b>86,731</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR</b>	<b>2,679,452</b>	<b>2,592,721</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 3,491,767</b>	<b>\$ 2,679,452</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 4,637	\$ 7,009
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING TRANSACTIONS:</b>		
Contributions of property and equipment	\$ 646,712	\$ 180,301

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

**ARC BROWARD, INC.  
AND AFFILIATE**

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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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**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.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**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 when purchased to be cash equivalents. Cash and cash equivalents totaled \$3,219,962 and \$1,110,722 as of September 30, 2020 and 2019, respectively. The total cash, cash equivalents, and restricted cash shown in the Combined Statements of Cash Flows includes cash and cash equivalents of \$3,219,962 and restricted cash of \$271,805 as of September 30, 2020 and cash and cash equivalents of \$1,110,722 and restricted cash of \$1,568,730 as of September 30, 2019 reported in the Combined Statements of Financial Position.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Restricted Cash**

Restricted cash includes approximately \$22,000 and \$1,303,000 held for donor restricted capital improvements at September 30, 2020 and 2019, respectively. Additionally, as of September 30, 2020 and 2019, the restricted cash balance includes approximately \$109,000 and \$95,000, 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, 2020 and 2019, restricted cash also includes approximately \$141,000 and \$171,000, 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.

**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 (the "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. During the year ended September 30, 2020, the Project was completed (NOTE 4). Net assets related to the Project were released from net assets with donor restrictions to net assets without donor restrictions.

**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 at September 30, 2020 and 2019.

**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.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Property and Equipment, Net (Continued)**

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, 2020 and 2019.

**Prepaid Expenses and Other Assets**

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

**Revenue Recognition - Contributions**

Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods. 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 market rate of return and are recorded at net present value.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Revenue Recognition – Contributions (Continued)**

Unconditional Promises to Give

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, 2020 and 2019.

Grants and Contracts

The Organization receives grant and contract revenue from various federal, state, and local governments, private foundations, and other donors. Grant and contract revenue is recognized when the expenses subject to reimbursement are incurred or the services subject to reimbursement are performed by the Organization. The Organization records deferred revenue when amounts are received in advance of expenditures subject to reimbursement being incurred and/or units of service performed. Grants receivables at year-end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency. Grants and contracts are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants and contract revenue that primarily provide commensurate value to the general public are reported as contributions.

**Revenue Recognition – Exchange Transactions**

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. Under U.S. GAAP, these arrangements are exchange transactions between the Organization and the individuals participating in the Organization's programs.

Medicaid Income

Qualified employees of the Organization provide counseling and therapy services to individuals in the Organization's various programs. The individuals typically qualify for Medicaid coverage, whereby the Organization submits reimbursement claims to Medicaid to obtain payment for the services rendered. Reimbursements for Medicaid services are generally paid at prospectively determined rates per occasion of service. The Organization is responsible for confirming each individual's eligibility and accepting the financial risk of loss associated with services rendered.

Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing for providing counseling and therapy services, and is recognized in the period in which the services are rendered. Consistent with the Organization's mission, counseling and therapy services are provided to qualifying individuals regardless of their ability to pay. Individuals who meet the Organization's criteria for receiving services are provided services without charge, and only the amounts expected to be reimbursed by the Medicaid program are reported as revenue. After services are rendered and the performance obligation is satisfied, the Organization bills Medicaid at the prescribed rate.

Laws and regulations concerning government programs such as Medicaid are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Revenue Recognition – Exchange Transactions (Continued)**

Medicaid Income (Continued)

Settlements with Medicaid for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing counseling and therapy services. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

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 Arc Educates deferred tuition and fees revenue at September 30, 2020 and 2019.

**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 have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the accompanying combined financial statements because they do not meet the criteria to be recorded in the combined financial statements under U.S. GAAP. 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.

**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 2017.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 Management 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.

Since January 2020, the coronavirus ("COVID-19") outbreak has caused substantial disruption in international and U.S. economics and markets. The fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. While the Organization did not incur significant disruptions during the year ended September 30, 2020 from COVID-19, the Organization is unable to predict the impact that COVID-19 will have on the combined financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental, or other actions (which include promotion of social distancing), or changes to the Organization's operations. The Organization is currently evaluating the potential adverse effect this matter will have on its combined financial position, operations and cash flows. While the ultimate outcome of this uncertainty is unknown, it is reasonably possible the impact may be materially adverse.

**Concentrations and Credit Risk**

During each of the years ended September 30, 2020 and 2019, the Organization received approximately 65% 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, 2020 and 2019, the five agencies accounted for approximately 87% and 85%, respectively, of the Organizations accounts receivable.

Concentration of credit risk with respect to pledges receivable was limited to one and two donors at September 31, 2020 and 2019, respectively. These donors represented approximately 95% of total pledges receivable as of September 30, 2020 and 2019.

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.



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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Adopted Accounting Pronouncements**

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The adoption of this update did not have a material effect on the Organization’s combined financial statements.

Restricted Cash

In November 2016, the FASB issued an ASU which amends 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 statement 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 adoption of the update did not have a material effect on the Organization’s combined financial statements.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued an ASU 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 adoption of this update did not have a material effect on the Organization’s combined financial statements.

**Recent Accounting Pronouncements**

Revenue from Contracts with Customers

In May 2014, the FASB issued an ASU 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; however, due to the circumstances surrounding COVID-19, the FASB issued relief in the form of deferral of the required adoption date for nonprofit entities to annual periods beginning after December 31, 2019 and in interim periods beginning after December 15, 2020. The Organization is currently evaluating the effect the update will have on its combined financial statements.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

Lease Accounting

In February 2016, the FASB issued an ASU 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 and lessor accounting.

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 and the effect the update will have on its combined financial statements. The update is effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

**Subsequent Events**

The Organization has evaluated subsequent events through January 27, 2021 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 8).

The Organization's financial assets available within one year of the Combined Statements of Financial Position date for general expenditures are as follows as of September 30, 2020:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,219,962	\$ 1,110,722
Restricted cash	271,805	1,568,730
Accounts receivable, net	1,666,901	1,810,156
Current portion of pledges receivable, net	<u>183,065</u>	<u>536,148</u>
Total current financial assets	5,341,733	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	109,418	95,295
Cash held on behalf of passthrough grant sub-recipients	<u>140,387</u>	<u>171,358</u>
	<u>\$ 5,091,928</u>	<u>\$ 2,920,878</u>

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**3. ACCOUNTS RECEIVABLE, NET**

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

	<b>2020</b>	<b>2019</b>
Federal and state government	\$ 892,684	\$ 846,915
Local government and agencies	668,759	851,463
Other program services receivable	116,458	122,778
	1,677,901	1,821,156
Less: allowance for doubtful accounts	(11,000)	(11,000)
Total accounts receivable, net	<b>\$ 1,666,901</b>	<b>\$ 1,810,156</b>

Bad debt expense for the years ended September 30, 2020 and 2019 was approximately \$6,300 and \$20,500, respectively.

**4. PROPERTY AND EQUIPMENT, NET**

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

	<b>2020</b>	<b>2019</b>
Land	\$ 1,034,222	\$ 1,034,222
Buildings and improvements	15,038,565	10,095,271
Equipment and furniture	3,110,760	2,070,387
Vehicles	1,239,423	1,084,119
Land improvements	1,641,649	628,926
Construction in process	72,107	2,974,115
	22,136,726	17,887,040
Less: accumulated depreciation	(11,378,968)	(10,898,484)
	<b>\$ 10,757,758</b>	<b>\$ 6,988,556</b>

Depreciation expense for the years ended September 30, 2020 and 2019 was approximately \$512,000 and \$444,000, respectively.

As of September 30, 2020, construction in process consists of the playground at Arc Broward.

**Culinary Expansion Project**

During the year ended September 30, 2020, the Project was completed and placed in service. 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 is used for additional parking. The Project includes 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 cost approximately \$5.6 million. Sources of funds to complete the Project included the Organization's general funds, state funding and pledges from individuals and private foundations.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**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,:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 183,065	\$ 536,148
Due in more than one year	310,800	466,116
Total pledges receivable	493,865	1,002,264
Less: Unamortized discount	<u>(31,741)</u>	<u>(70,044)</u>
Pledges receivable, net	462,124	932,220
Less: Current pledges receivable	<u>(183,065)</u>	<u>(536,148)</u>
Non-current pledges receivable	<u>\$ 279,059</u>	<u>\$ 396,072</u>

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. PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE**

On April 17, 2020, the Organization received a loan of approximately \$2,002,000 under the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief, and Economic Security Act that was signed into law on March 27, 2020. The loan begins accruing interest at a rate of 1.00% on the effective date. The loan matures on April 17, 2022, at which time all unpaid principal and accrued interest is due. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the Organization retains employees during a specified period. Management estimates that a significant portion, if not all, of the loan funds will be eligible for forgiveness. The proceeds of the loan are recognized as a refundable advance in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, and are included within current liabilities on the accompanying Combined Statements of Financial Position. The proceeds will be recognized as a contribution once forgiveness has been granted and the condition has been explicitly waived. As of September 30, 2020, the amount outstanding on the PPP loan was approximately \$2,002,000.

**ARC BROWARD, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**7. NOTES PAYABLE**

Notes payable consists of the following at September 30,:

	<b>2020</b>	<b>2019</b>
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 allow the Organization 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, 2020, the Organization had drawn \$13,000 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. Subsequent to year end, during October 2020, the loan was paid in full.	\$ 12,999	\$ 12,999
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. During August 2020, the loan was paid in full.	-	102,160
Total notes payable	12,999	115,159
Less: current portion	(12,999)	(115,159)
Note payable, less current portion	\$ -	\$ -

Interest expense on notes payable for the years ended September 30, 2020 and 2019 was approximately \$5,000 and \$7,000, respectively.

**8. LINE OF CREDIT**

On January 9, 2015, the Organization entered into a credit line facility agreement in the amount of \$350,000. On January 4, 2019, 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% (2.91% and 4.58% at September 30, 2020 and 2019, respectively). There was no balance outstanding on the credit line as of September 30, 2020 and 2019, nor did the Organization utilize the line of credit during either of the years ended September 30, 2020 and 2019. The line of credit matures on June 7, 2021.

**9. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>2020</b>	<b>2019</b>
Pledges receivable and restricted cash - capital campaigns	\$ 52,940	\$ 1,934,297
Pledges receivable - programs	-	300,000
	\$ 52,940	\$ 2,234,297

**ARC BROWARD, INC.  
AND AFFILIATE**

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NOTES TO COMBINED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019

**10. EMPLOYEE BENEFIT PLAN**

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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, 2020 and 2019 was approximately \$61,000 and \$63,000, respectively.

**11. COMMITMENTS AND CONTINGENCIES**

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**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 \$137,000 and \$253,000 for the years ended September 30, 2020 and 2019, respectively.

The following is a schedule of approximate future minimum payments required for these arrangements as of September 30, 2020:

For the years ending September 30,

2021	\$ 125,000
2022	127,000
2023	129,000
2024	132,000
2025	95,000
Thereafter	<u>92,000</u>
	<b><u>\$ 700,000</u></b>

SUPPLEMENTAL SCHEDULES

**ARC BROWARD, INC.  
AND AFFILIATE**

COMBINING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2020

**ASSETS**

	Arc Broward, Inc.	Barc Housing, Inc.	Eliminations	Combined Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 2,778,258	\$ 441,704	\$ -	\$ 3,219,962
Restricted cash	208,544	63,261	-	271,805
Accounts receivable, net	1,265,005	401,896	-	1,666,901
Current portion of pledges receivable, net	183,065	-	-	183,065
Prepaid expenses and other current assets	116,900	19,797	-	136,697
Due from affiliate	193,716	-	(193,716)	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,745,488</b>	<b>926,658</b>	<b>(193,716)</b>	<b>5,478,430</b>
PLEDGES RECEIVABLE, NET, LESS CURRENT PORTION	279,059	-	-	279,059
PROPERTY AND EQUIPMENT, NET	10,300,103	457,655	-	10,757,758
OTHER ASSETS	15,798	-	-	15,798
<b>TOTAL ASSETS</b>	<b>\$ 15,340,448</b>	<b>\$ 1,384,313</b>	<b>\$ (193,716)</b>	<b>\$ 16,531,045</b>

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES:				
Accounts payable	\$ 923,919	\$ 64,361	\$ -	\$ 988,280
Accrued expenses	856,834	296,647	-	1,153,481
Retainage payable - construction	20,920	-	-	20,920
Note payable	12,999	-	-	12,999
Paycheck Protection Program refundable advance	2,001,800	-	-	2,001,800
Deferred revenue	8,248	58,200	-	66,448
Due to affiliate	-	193,716	(193,716)	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,824,720</b>	<b>612,924</b>	<b>(193,716)</b>	<b>4,243,928</b>
NET ASSETS:				
Without donor restrictions	11,462,788	771,389	-	12,234,177
With donor restrictions	52,940	-	-	52,940
<b>TOTAL NET ASSETS</b>	<b>11,515,728</b>	<b>771,389</b>	<b>-</b>	<b>12,287,117</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,340,448</b>	<b>\$ 1,384,313</b>	<b>\$ (193,716)</b>	<b>\$ 16,531,045</b>

See independent auditor's report.



**ARC BROWARD, INC.  
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COMBINING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2019

**ASSETS**

	Arc Broward, Inc.	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 current assets	98,736	24,769	-	123,505
Due from affiliate	357,236	-	(357,236)	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,623,665</b>	<b>882,832</b>	<b>(357,236)</b>	<b>5,149,261</b>
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
<b>TOTAL ASSETS</b>	<b>\$ 11,589,639</b>	<b>\$ 1,326,325</b>	<b>\$ (357,236)</b>	<b>\$ 12,558,728</b>

**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
Notes payable	12,999	102,160	-	115,159
Deferred revenue	26,344	-	-	26,344
Due to affiliate	-	357,236	(357,236)	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,837,128</b>	<b>808,376</b>	<b>(357,236)</b>	<b>2,288,268</b>
NET ASSETS:				
Without donor restrictions	7,518,214	517,949	-	8,036,163
With donor restrictions	2,234,297	-	-	2,234,297
<b>TOTAL NET ASSETS</b>	<b>9,752,511</b>	<b>517,949</b>	<b>-</b>	<b>10,270,460</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,589,639</b>	<b>\$ 1,326,325</b>	<b>\$ (357,236)</b>	<b>\$ 12,558,728</b>

See independent auditor's report.

**ARC BROWARD, INC.  
AND AFFILIATE**

COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Arc Broward, Inc.</u>	<u>Barc Housing, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:				
Program service fees, including grant/contract revenue	\$ 10,274,715	\$ 5,035,738	\$ -	\$ 15,310,453
Management, developmental training fees, meal preparation, and production fees	1,725,837	-	(1,725,837)	-
Contributions	873,126	-	-	873,126
Special events	210,109	-	-	210,109
Other income	21,986	37,051	-	59,037
Net assets released from restrictions	3,119,306	-	-	3,119,306
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS</b>	<u>16,225,079</u>	<u>5,072,789</u>	<u>(1,725,837)</u>	<u>19,572,031</u>
OPERATING EXPENSES:				
Program services	10,646,263	4,273,065	(1,341,359)	13,577,969
Supporting services:				
General and administration	1,642,687	546,284	(384,478)	1,804,493
Fundraising	291,555	-	-	291,555
<b>TOTAL OPERATING EXPENSES</b>	<u>12,580,505</u>	<u>4,819,349</u>	<u>(1,725,837)</u>	<u>15,674,017</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>3,644,574</u>	<u>253,440</u>	<u>-</u>	<u>3,898,014</u>
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:				
Contributions	1,237,949	-	-	1,237,949
Net assets released from restrictions	(3,119,306)	-	-	(3,119,306)
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS</b>	<u>(1,881,357)</u>	<u>-</u>	<u>-</u>	<u>(1,881,357)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(1,881,357)</u>	<u>-</u>	<u>-</u>	<u>(1,881,357)</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,763,217</u>	<u>253,440</u>	<u>-</u>	<u>2,016,657</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>9,752,511</u>	<u>517,949</u>	<u>-</u>	<u>10,270,460</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,515,728</u>	<u>\$ 771,389</u>	<u>\$ -</u>	<u>\$ 12,287,117</u>

See independent auditor's report.

**ARC BROWARD, INC.  
AND AFFILIATE**

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

	<u>Arc Broward, Inc.</u>	<u>Barc Housing, Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
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 restrictions	379,298	-	-	379,298
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS</b>	<u>14,743,940</u>	<u>4,782,937</u>	<u>(1,664,309)</u>	<u>17,862,568</u>
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
<b>TOTAL OPERATING EXPENSES</b>	<u>13,966,932</u>	<u>4,706,400</u>	<u>(1,664,309)</u>	<u>17,009,023</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>777,008</u>	<u>76,537</u>	<u>-</u>	<u>853,545</u>
PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS:				
Contributions	1,391,222	-	-	1,391,222
Net assets released from restrictions	(379,298)	-	-	(379,298)
<b>TOTAL PUBLIC SUPPORT AND REVENUES WITH DONOR RESTRICTIONS</b>	<u>1,011,924</u>	<u>-</u>	<u>-</u>	<u>1,011,924</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>1,011,924</u>	<u>-</u>	<u>-</u>	<u>1,011,924</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,788,932</u>	<u>76,537</u>	<u>-</u>	<u>1,865,469</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>7,963,579</u>	<u>441,412</u>	<u>-</u>	<u>8,404,991</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,752,511</u>	<u>\$ 517,949</u>	<u>\$ -</u>	<u>\$ 10,270,460</u>

See independent auditor's report.

**ARC BROWARD, INC.  
AND AFFILIATE**

SCHEDULE OF LOCAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Grantor	Program Title	Contract Number	Assistance
LOCAL FINANCIAL ASSISTANCE			
Children's Services Council of Broward County, Florida	Family Strengthening - Parents as Teachers Program	19-2100	\$ 616,602
	Maximize Out of School Time - Alternative Behavior Learning Environment	17-2109	1,247,163
	Supported Training Employment Program: Youth Links	15-2107	390,373
Broward County, Florida	Supportive Health Care Services for Special Needs Population	17-CP-HCS-8366-01	275,955
	Special Health Care Needs - Respite	17-CP-CSA-8366-01	95,866
	Special Health Care Needs - Respite	18-CP-CSA-8366-01	323,369
	Financial Stability - Center for Working Families	19-FSAD-8307-1	35,719
	ACT Transportation	V211249R1_1	55,548
School Board of Broward County, Florida	Special Education - Infants Toddlers, and Preschoolers	N/A **	1,294,182
	School of Hire Education	N/A **	159,843
	School of Hire Transportation	N/A **	17,031
United Way	Alternative Behavior Learning Environment	1920-02-02-01	70,000
	Arc Works	1920-03-02-03	159,169
City of Plantation	Nursing Services	N/A **	11,147
			<b>\$ 4,751,967</b>

\*\* - 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,

	2020	2019
<b>REVENUES WITHOUT DONOR RESTRICTIONS:</b>		
Contributions	\$ 115,446	\$ 130,940
Tuition and training revenue	216,108	166,472
Private pay enterprise sales revenue	-	17,100
Other revenue	575	675
	<u>332,129</u>	<u>315,187</u>
<b>TOTAL REVENUES WITHOUT DONOR RESTRICTIONS</b>		
	<u>332,129</u>	<u>315,187</u>
<b>OPERATING EXPENSES:</b>		
<b>Personnel Expenses</b>		
Salaries	114,192	148,670
Payroll taxes	7,950	10,677
Workers compensation	4,194	1,162
Employee benefits	7,653	8,796
Other personnel expenses	149	257
	<u>134,138</u>	<u>169,562</u>
<b>General and Administrative expense</b>		
MIS support	1,760	1,731
Insurance	3,528	3,657
Office supplies and expense	2,007	4,462
Licenses and permits	4,473	2,928
Telephone	1,452	1,966
Meetings and travel	1,117	1,215
Memberships	2,881	5,176
Marketing	933	2,059
Miscellaneous	60	99
	<u>18,211</u>	<u>23,293</u>
<b>Program Expenses</b>		
Contracted services	23,692	36,898
Program supplies	16,471	4,454
Food, supplies and food services	3,842	12,188
	<u>44,005</u>	<u>53,540</u>
<b>Plant Operations</b>		
Property insurance	596	571
Security expense	10	11
Utilities	1,726	1,794
Housekeeping supplies	189	191
Facilities expense	2,292	3,342
	<u>4,813</u>	<u>5,909</u>
<b>Allocations</b>		
	<u>40,320</u>	<u>16,463</u>
<b>TOTAL OPERATING EXPENSES:</b>		
	<u>241,487</u>	<u>268,767</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 90,642</b>	<b>\$ 46,420</b>

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, 2020, 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 27, 2021.

**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) as a basis for designing 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Monison, Brown, Aguirre & Tava*

Fort Lauderdale, Florida  
January 27, 2021

**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 the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major State project for the year ended September 30, 2020. 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 State statutes, regulations, contracts, and the terms and conditions of its State projects 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 Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, 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, 2020.

**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, Rules of the Auditor General, 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 combination of deficiencies, in internal control over compliance with the 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 results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Monison, Brown, Ariz & Fama*

Fort Lauderdale, Florida  
January 27, 2021

SINGLE AUDIT SUPPLEMENTARY INFORMATION

**ARC BROWARD, INC.  
AND AFFILIATE**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>State Grantor Pass through grantor State Project Title</b>	<b>CSFA Number</b>	<b>Contract/ Grant Number</b>	<b>Transfer to Sub-recipients</b>	<b>Expenditures</b>
Agency of Persons with Disabilities				
Arc Broward Culinary Program	67.040	WCX26	\$ -	\$ 104,401
Arc Broward Culinary Program	67.040	AFX02	-	1,100,000
Department of Education and Commissioner of Education				
Voluntary Pre-kindergarten Education Program	48.108	N/A	-	1,260
Arc Broward Skills Training	48.167	99D-90560-0P001	-	232,290
Arc Broward Skills Training	48.167	99D-90560-1P001	-	63,793
Department of Highway Safety and Motor Vehicles				
Achievement and Rehabilitation Centers, Inc., Autism Services	76.128	N/A	189,432	253,358
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 189,432</b>	<b>\$ 1,755,102</b>

**ARC BROWARD, INC.  
AND AFFILIATE**

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NOTES TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**1. GENERAL**

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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, 2020. 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**

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

**3. SUB-RECIPIENTS**

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Of the state expenditures presented in the Schedule, the Organization provided state awards to subrecipients in the amount of \$189,432.

**4. CONTINGENCY**

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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  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes                          X     No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes                          X     None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes                          X     No

State Projects

Internal control over major State projects:

Material weakness(es) identified?

\_\_\_\_\_ Yes                          X     No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes                          X     None Reported

Type of auditor's report issued on compliance for major State project:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656, Rules of the Auditor General?

\_\_\_\_\_ Yes                          X     No

**Identification of major State project:**

State Project \_\_\_\_\_

CFSA \_\_\_\_\_

67.040

ARC Broward Culinary Program

Dollar threshold used to distinguish between Type A and Type B State projects:

\$ 526,531

**ARC BROWARD, INC.  
AND AFFILIATE**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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**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.