

To the Board of Directors and Finance Committee
The Arc Gateway, Inc.
Pensacola, Florida

We have audited the consolidated financial statements of The Arc Gateway, Inc. (the “Organization”) for the year ended September 30, 2017, and have issued our report thereon dated January 17, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Chapter 10.650, Rules of the Auditor General, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the consolidated financial statements was:

Management’s estimate of depreciation expense is based on the estimated useful lives of assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the consolidated financial statements were:

- The disclosure of accounts receivable described in Note 4
- The disclosure of temporarily and permanently restricted net assets in Note 10
- The disclosure of commitments and contingencies described in Note 11

The financial statement disclosures are neutral, consistent, and clear.

Since 1944

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement of the consolidated financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 26, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors, Finance Committee and management of The Arc Gateway, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Saltmarsh Cleaveland & Bend".

Pensacola, Florida
January 26, 2018

Proposed JE # 301

To reclass Raymond James cash from investments to cash.

1013.1FND SCG	Raymond James Cash & Cash Equivalent	28,114.00	
1013.1FND	Raymond James		28,114.00
Total		<u>28,114.00</u>	<u>28,114.00</u>