

THE ARC GATEWAY, INC.

PENSACOLA, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

**(With summarized comparative financial information as of and
for the year ended September 30, 2018)**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Gateway, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors
The Arc Gateway, Inc.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Arc Gateway, Inc. as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Arc Gateway, Inc.'s 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of The Arc Gateway, Inc.'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 Gateway, Inc.'s internal control over financial reporting and compliance.



Pensacola, Florida
June 30, 2020

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(With comparative financial information as of September 30, 2018)

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 1,241,678	\$ 1,458,962
Investments	596,486	716,069
Accounts receivable, net	560,549	584,976
Inventories	180,116	107,233
Prepaid expenses and other assets	163,284	125,855
Total current assets	2,742,113	2,993,095
Property and Equipment, net:		
Without donor restrictions	2,038,905	2,171,798
With donor restrictions	1,824,968	1,505,037
Total property and equipment, net	3,863,873	3,676,835
Total Assets	\$ 6,605,986	\$ 6,669,930

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 118,638	\$ 81,112
Accrued expenses	458,892	421,125
Refundable advances	103,313	200,548
Current maturities of capital lease obligation	8,247	8,005
Total current liabilities	689,090	710,790
Long-Term Liabilities:		
Capital lease obligation, less current maturities	5,636	13,883
Total liabilities	694,726	724,673
Net Assets:		
Without donor restrictions	3,725,339	3,954,010
With donor restrictions	2,185,921	1,991,247
Total net assets	5,911,260	5,945,257
Total Liabilities and Net Assets	\$ 6,605,986	\$ 6,669,930

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

(With summarized comparative financial information for the year ended September 30, 2018)

	2019		2018 Total
	Without Donor Restrictions	With Donor Restrictions	
Operating Activities:			
Revenue and Support:			
Medicaid -			
Developmental Disabilities Individual Budgeting waivers	\$ 3,104,752	\$ -	\$ 2,982,036
Omnibus Budget Reconciliation Act (OBRA)	216,530	-	269,724
Federal and state grants	460,863	427,000	2,302,947
Department of Transportation contracts	858,440	-	717,289
Noncontract funding	240,666	-	234,271
Other contracts and financial assistance	1,079,870	-	195,526
Private insurance	120,185	-	344,607
Program income	285,781	-	27,937
Sales to public, net of direct costs of \$203,425	499,668	-	614,797
United Way	87,461	-	91,350
Public support contributions	209,267	1,775	244,214
Special events	354,386	-	460,031
Membership revenue	-	-	18,570
Miscellaneous	68,172	-	103,467
Net assets released from restrictions	234,101	(234,101)	-
	<u>7,820,142</u>	<u>194,674</u>	<u>8,014,816</u>
Total operating revenue and support			<u>8,606,766</u>
Operating Expenses:			
Program Services -			
Pollak Training Center	718,747	-	903,399
Pollak Industries	671,362	-	669,073
Community Based Employment	937,322	-	958,629
Employment Services	233,459	-	196,067
Pearl Nelson Child Development Center	1,159,789	-	1,084,996
Group Homes	1,709,514	-	1,652,179
Supported Living	130,196	-	123,865
Senior Adult Program	195,259	-	186,439
Transportation	528,472	-	509,004
Program for Adult Learning and Support	833,975	-	1,806,606
Jeff's Corner Garden	76,241	-	49,511
Hightower	15,698	-	15,040
South Santa Rosa	148,195	-	118,595
Total program services	<u>7,358,229</u>	<u>-</u>	<u>8,273,403</u>
Supporting Services -			
Fund raising	122,165	-	85,848
General and administrative -			
General	467,350	-	377,372
Maintenance	143,018	-	111,341
Total supporting services	<u>732,533</u>	<u>-</u>	<u>574,561</u>
	<u>8,090,762</u>	<u>-</u>	<u>8,847,964</u>
Total operating expenses			<u>8,847,964</u>
Change in net assets from operating activities	<u>(270,620)</u>	<u>194,674</u>	<u>(75,946)</u>
			<u>(241,198)</u>
Nonoperating Activities:			
Investment income, including gains and losses	41,949	-	26,159
	<u>41,949</u>	<u>-</u>	<u>26,159</u>
Change in Net Assets	<u>(228,671)</u>	<u>194,674</u>	<u>(33,997)</u>
			<u>(215,039)</u>
Net Assets:			
Beginning of year	<u>3,954,010</u>	<u>1,991,247</u>	<u>5,945,257</u>
			<u>6,160,296</u>
End of year	<u>\$ 3,725,339</u>	<u>\$ 2,185,921</u>	<u>\$ 5,911,260</u>
			<u>\$ 5,945,257</u>

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(With summarized comparative financial information for the year ended September 30, 2018)

PROGRAM SERVICES

	Pollak Training Center	Pollak Industries	Community Based Employment	Employment Services	Pearl Nelson Child Development Center	Group Homes	Supported Living
Salaries	\$ 383,098	\$ 424,720	\$ 553,989	\$ 141,640	\$ 476,451	\$ 935,819	\$ 72,580
Employee benefits	57,698	28,137	34,431	21,179	48,738	117,066	11,571
Payroll taxes and workers compensation	13,491	10,557	17,330	3,089	12,747	26,890	3,072
Professional fees	10,504	6,317	61,082	2,021	329,162	21,147	2,150
Supplies and small equipment	30,024	13,601	42,287	3,719	35,499	122,483	3,608
Postage and freight	590	-	137	183	1,502	244	26
Interest	76	75	-	38	76	-	38
Occupancy	65,704	40,937	25,121	2,111	27,104	56,312	2,107
Telephone	8,517	7,512	5,370	5,736	11,989	25,767	4,614
Equipment maintenance and rental	9,756	8,340	3,678	622	8,273	7,979	622
Printing and publication	1,128	87	-	192	1,406	24	42
Travel	151	418	1,162	14,492	14,841	356	6,995
Vehicle expense	7,093	13,348	25,664	45	-	28,054	-
Special events	104	244	109	-	679	1,720	65
Costs of direct benefits to donors	-	-	-	-	-	-	-
Client assistance	650	589	2,321	20	-	4,766	1,089
Dues and memberships	1,670	-	-	150	800	348	6
Miscellaneous	31	105	-	-	-	89	53
Depreciation	12,428	7,988	13,333	537	3,299	84,483	537
Total Direct Expenses	<u>602,713</u>	<u>562,975</u>	<u>786,014</u>	<u>195,774</u>	<u>972,566</u>	<u>1,433,547</u>	<u>109,175</u>
Allocation of intercompany expenses from consolidation	17,866	16,691	23,284	5,798	28,814	42,474	3,239
Total Direct Expenses, net	<u>620,579</u>	<u>579,666</u>	<u>809,298</u>	<u>201,572</u>	<u>1,001,380</u>	<u>1,476,021</u>	<u>112,414</u>
Allocation of general and administration expenses	98,168	91,696	128,024	31,887	158,409	233,493	17,782
Total Expenses	<u>\$ 718,747</u>	<u>\$ 671,362</u>	<u>\$ 937,322</u>	<u>\$ 233,459</u>	<u>\$ 1,159,789</u>	<u>\$ 1,709,514</u>	<u>\$ 130,196</u>

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(With summarized comparative financial information for the year ended September 30, 2018)
(Continued)

PROGRAM SERVICES

	Senior Adult Program	Transportation	Program for Adult Learning and Support	Jeff's Corner Garden	Hightower	South Santa Rosa	Program Services Total
Salaries	\$ 130,046	\$ 239,774	\$ 470,849	\$ 34,318	\$ -	\$ 72,691	\$ 3,935,975
Employee benefits	6,993	17,665	43,861	19	-	5,400	392,758
Payroll taxes and workers compensation	3,778	7,203	15,815	1,169	-	2,261	117,402
Professional fees	2,455	7,668	79,933	1,648	400	1,546	526,033
Supplies and small equipment	5,645	2,276	6,345	1,114	680	2,439	269,720
Postage and freight	25	53	194	1	-	25	2,980
Interest	-	38	-	-	-	-	341
Occupancy	10,758	3,505	-	13,124	6,935	32,212	285,930
Telephone	1,553	3,841	5,031	1,150	2,638	4,494	88,212
Equipment maintenance and rental	1,245	621	144	824	1,174	163	43,441
Printing and publication	25	25	1,086	829	-	233	5,077
Travel	64	600	608	-	-	709	40,396
Vehicle expense	32	121,861	60,346	2,963	-	1,602	261,008
Special events	332	248	1,177	-	-	104	4,782
Costs of direct benefits to donors	-	-	-	-	-	-	-
Client assistance	621	-	227	-	-	135	10,418
Dues and memberships	-	-	45	-	-	-	3,019
Miscellaneous	-	108	154	110	-	-	650
Depreciation	167	37,675	13,527	6,664	1,329	264	182,231
Total Direct Expenses	<u>163,739</u>	<u>443,161</u>	<u>699,342</u>	<u>63,933</u>	<u>13,156</u>	<u>124,278</u>	<u>6,170,373</u>
Allocation of intercompany expenses from consolidation	4,851	13,130	20,726	1,895	399	3,675	182,842
Total Direct Expenses, net	<u>168,590</u>	<u>456,291</u>	<u>720,068</u>	<u>65,828</u>	<u>13,555</u>	<u>127,953</u>	<u>6,353,215</u>
Allocation of general and administration expenses	26,669	72,181	113,907	10,413	2,143	20,242	1,005,014
Total Expenses	<u>\$ 195,259</u>	<u>\$ 528,472</u>	<u>\$ 833,975</u>	<u>\$ 76,241</u>	<u>\$ 15,698</u>	<u>\$ 148,195</u>	<u>\$ 7,358,229</u>

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(With summarized comparative financial information for the year ended September 30, 2018)
(Continued)

SUPPORTING SERVICES

	Fund Raising	General & Administrative			Total Supporting Services
	Dove Shop/Beads	General	Maintenance	General & Administrative Total	
Salaries	\$ 93,706	\$ 795,256	\$ 21,323	\$ 816,579	\$ 910,285
Employee benefits	1,445	27,885	2,364	30,249	31,694
Payroll taxes and workers compensation	2,130	277,755	772	278,527	280,657
Professional fees	1,492	104,568	53,482	158,050	159,542
Supplies and small equipment	1,505	16,127	1,991	18,118	19,623
Postage and freight	3,851	1,226	-	1,226	5,077
Interest	-	162	38	200	200
Occupancy	-	14,482	34,853	49,335	49,335
Telephone	-	12,546	951	13,497	13,497
Equipment maintenance and rental	292	68,314	1,853	70,167	70,459
Printing and publication	25	7,228	-	7,228	7,253
Travel	1,008	3,049	-	3,049	4,057
Vehicle expense	75	-	882	882	957
Special events	864	5,709	-	5,709	6,573
Costs of direct benefits to donors	-	-	-	-	-
Client assistance	-	3,929	-	3,929	3,929
Dues and memberships	42	13,501	-	13,501	13,543
Miscellaneous	(4,773)	72,948	-	72,948	68,175
Depreciation	-	83,936	2,149	86,085	86,085
Total Direct Expenses	<u>101,662</u>	<u>1,508,621</u>	<u>120,658</u>	<u>1,629,279</u>	<u>1,730,941</u>
Allocation of intercompany expenses from consolidation	3,163	-	3,443	3,443	6,606
Total Direct Expenses, net	<u>104,825</u>	<u>1,508,621</u>	<u>124,101</u>	<u>1,632,722</u>	<u>1,737,547</u>
Allocation of general and administration expenses	<u>17,340</u>	<u>(1,041,271)</u>	<u>18,917</u>	<u>(1,022,354)</u>	<u>(1,005,014)</u>
Total Expenses	<u>\$ 122,165</u>	<u>\$ 467,350</u>	<u>\$ 143,018</u>	<u>\$ 610,368</u>	<u>\$ 732,533</u>

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(With summarized comparative financial information for the year ended September 30, 2018)
(Continued)

	Arc Subtotal	PRC, Inc.	Trust	Foundation	2019 Total	2018 Total
Salaries	\$ 4,846,260	\$ -	\$ -	\$ -	\$ 4,846,260	\$ 4,961,595
Employee benefits	424,452	-	-	-	424,452	606,257
Payroll taxes and workers compensation	398,059	-	-	-	398,059	471,948
Professional fees	685,575	-	-	5,000	690,575	969,751
Supplies and small equipment	289,343	-	-	3,775	293,118	258,991
Postage and freight	8,057	-	-	10,180	18,237	11,037
Interest	541	-	-	-	541	2,139
Occupancy	335,265	-	-	-	335,265	334,824
Telephone	101,709	-	-	2,533	104,242	99,920
Equipment maintenance and rental	113,900	-	-	-	113,900	123,835
Printing and publication	12,330	-	-	421	12,751	10,497
Travel	44,453	-	-	2,711	47,164	55,608
Vehicle expense	261,965	-	-	-	261,965	314,144
Special events	11,355	-	-	20,423	31,778	90,101
Costs of direct benefits to donors	-	-	-	48,526	48,526	51,147
Client assistance	14,347	-	-	-	14,347	11,459
Dues and memberships	16,562	-	-	861	17,423	27,488
Miscellaneous	68,825	372	-	10,890	80,087	31,157
Depreciation	268,316	83,756	-	-	352,072	416,066
Total Direct Expenses	<u>7,901,314</u>	<u>84,128</u>	<u>-</u>	<u>105,320</u>	<u>8,090,762</u>	<u>8,847,964</u>
Allocation of intercompany expenses from consolidation	189,448	(84,128)	-	(105,320)	-	-
Total Direct Expenses, net	<u>8,090,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,090,762</u>	<u>8,847,964</u>
Allocation of general and administration expenses	-	-	-	-	-	-
Total Expenses	<u>\$ 8,090,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,090,762</u>	<u>\$ 8,847,964</u>

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019
(With comparative financial information for the year ended September 30, 2018)

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ (33,997)	\$ (215,039)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	352,072	416,066
Unrealized gain on investments	(42,958)	(30,767)
Contributions restricted for long-term purposes	(100)	(3,214)
Changes in operating assets and liabilities -		
Accounts receivable	24,427	460,002
Inventories	(72,883)	6,947
Prepaid expenses and other assets	(37,429)	(8,322)
Accounts payable	37,526	(55,582)
Accrued expenses	37,767	102,012
Refundable advances	(97,235)	27,971
Net cash provided by operating activities	167,190	700,074
Cash Flows From Investing Activities:		
Purchase of property and equipment	(539,110)	(469,546)
Purchase of investments, including reinvested earnings	(40,815)	(97,911)
Proceeds from sale and maturities of investments	203,356	137,487
Net cash used in investing activities	(376,569)	(429,970)
Cash Flows From Financing Activities:		
Principal payments of long-term debt	-	(56,304)
Principal payments on capital lease obligation	(8,005)	(8,313)
Contributions to permanent endowments	100	3,214
Net cash used in financing activities	(7,905)	(61,403)
Net Increase (Decrease) in Cash and Cash Equivalents	(217,284)	208,701
Cash and Cash Equivalents, Beginning of Year	1,458,962	1,250,261
Cash and Cash Equivalents, End of Year	\$ 1,241,678	\$ 1,458,962
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 541	\$ 2,139

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
for the year ended September 30, 2018)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Arc Gateway, Inc. (The Arc) was formed for the purpose of providing assistance to and enhancing the social welfare of people with developmental disabilities in the community. The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of three related entities: the Escambia County Association for Retarded Citizens Trust (the Trust), Pollak Rehabilitation Center, Inc. (PRC, Inc.), and the Arc Gateway Foundation, Inc. (the Foundation).

The Trust is a perpetual, public charitable trust, which distributes its investment income annually to The Arc. Contributions received by the Trust are permanently restricted and become part of the Trust corpus.

PRC, Inc. is a title holding company whose function is to own and lease-back real property to The Arc.

The Foundation is a support organization whose sole purpose is to raise, invest, and manage funds specifically to support programs and services of The Arc. Contributions without donor restrictions received by the Foundation may be disbursed to The Arc with approval of the Foundation's Board of Directors. Contributions with donor restrictions received by the Foundation are held until the time restrictions have ended.

Principles of Consolidated Financial Statements:

The accompanying consolidated financial statements include the accounts of The Arc and its related entities, the Trust, PRC, Inc., and the Foundation as those entities are controlled by the same management and share economic interests. All inter-entity transactions have been eliminated in consolidation.

Basis of Accounting:

The consolidated financial statements of The Arc have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred, and may involve the use of management estimates. Federal, state and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement. Grant monies received for which performance has not yet occurred and contributions received for special events that have not yet taken place are recorded as refundable advances.

Use of Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
for the year ended September 30, 2018)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation:

The Arc reports information regarding financial position and activities according to the existence or absence of donor-imposed restrictions. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time.

Medicaid:

The Arc receives a substantial amount of its support from the Agency for Persons with Disabilities (APD) under the Developmental Disabilities Individual Budgeting waivers (DDIB). The DDIB waivers provide services to individuals with developmental disabilities to assist them to live in their home or the community. Medicaid reimbursement for DDIB waiver services is based on rates incorporated into rule. Services included under the DDIB waivers include adult day training, respite, supported living coaching, supported employment, and transportation. The DDIB waivers also provide residential habilitation and companion services.

Contributions:

The Arc records contributions received depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-Kind Donations:

Significant services, materials, vehicles and facilities are donated to The Arc by various individuals and organizations. Donated services, materials, vehicles and occupancy of \$5,090 and \$81,698 for the years ended September 30, 2019 and 2018, respectively, were recorded at fair value at the date of donation, and have been included in revenue and expenses, or capitalized where applicable, in the period received.

Cash Equivalents:

The Arc considers all highly liquid investment instruments with original maturities of three months or less as cash equivalents, excluding amounts whose use is restricted.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
for the year ended September 30, 2018)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments:

Investments consist of certificates of deposit that mature within one to three years of purchase and exchange traded funds. Donated stock is valued at the estimated fair value on the date of the donation. Certificates of deposit are stated at cost plus earnings. Exchange traded funds are stated at fair value. Interest income, dividends, and realized and unrealized gains and losses are included in investment income without donor restrictions in the consolidated statements of activities.

Inventories:

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out (FIFO) method.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

The Arc has established an allowance for contractual adjustments that result from differences between the amounts billed and the expected realizable amounts. Actual adjustments between the amounts billed and the amounts received are charged against the allowance. Revenues are reported net of estimated contractual adjustments in the period services are rendered.

Property and Equipment:

Property and equipment are carried at cost. Donated property is valued at the estimated fair value on the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments exceeding \$2,500 are capitalized. Estimated useful lives of property and equipment range as follows:

Buildings	3 - 45 years
Equipment, furniture and fixtures	3 - 20 years
Vehicles	3 - 10 years

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
for the year ended September 30, 2018)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General and Administrative Expenses:

General and administrative expenses, net of general and administrative revenue, are allocated to the various programs based on each program's percentage of direct expenses to total direct expenses.

Income Taxes:

The Arc, the Trust, and the Foundation are not-for-profit organizations exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). PRC, Inc. is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(2). Income from certain activities not directly related to The Arc's tax-exempt purpose is subject to taxation as unrelated business income.

Presentation of Certain Prior Year Information:

The consolidated statements of activities and functional expenses include certain prior year summarized consolidated financial information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with The Arc's consolidated financial statements for the year ended September 30, 2018 from which the summarized information was derived.

New Accounting Pronouncement:

On October 1, 2018, The Arc implemented Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires not-for-profit entities to present on the statement of financial position amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes previously required, and add disclosures regarding the entity's liquidity. ASU 2016-14 has been applied retrospectively. The adoption of this standard did not materially impact the entity's financial position, results of operations, or cash flows.

Reclassifications:

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

Subsequent Events:

Management has evaluated subsequent events through June 30, 2020, which is the date the consolidated financial statements were available to be issued.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 2 - INVESTMENTS

Investments are summarized as follows:

	<u>Cost</u>	<u>Carrying Amount</u>
September 30, 2019 -		
Without donor restrictions:		
Certificates of deposit	\$ 34,911	\$ 34,911
Exchange traded funds	<u>375,784</u>	<u>418,742</u>
	410,695	453,653
With donor restrictions:		
Certificates of deposit	<u>142,833</u>	<u>142,833</u>
Total investments	<u>\$ 553,528</u>	<u>\$ 596,486</u>
	<u>Cost</u>	<u>Carrying Amount</u>
September 30, 2018 -		
Without donor restrictions:		
Certificates of deposit	\$ 33,611	\$ 33,611
Exchange traded funds	<u>353,081</u>	<u>383,848</u>
	386,692	417,459
With donor restrictions:		
Certificates of deposit	<u>298,610</u>	<u>298,610</u>
Total investments	<u>\$ 685,302</u>	<u>\$ 716,069</u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
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NOTE 2 - INVESTMENTS (Continued)

Investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Interest and dividends	\$ 885	\$ 8,808
Realized loss	(1,894)	(13,416)
Unrealized gain	<u>42,958</u>	<u>30,767</u>
Total investment income	<u>\$ 41,949</u>	<u>\$ 26,159</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Exchange traded funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
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NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents the financial instruments carried at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
U.S. Large Cap	\$ 124,802	\$ -	\$ -	\$ 124,802
U.S. Mid Cap	18,164	-	-	18,164
U.S. Small Cap	13,155	-	-	13,155
Non-U.S. Developing				
Market Equity	60,215	-	-	60,215
Investment Grade Intermediate				
Maturity Fixed Income	164,927	-	-	164,927
Investment Grade Short				
Maturity Fixed Income	27,257	-	-	27,257
Non-Investment Grade				
Fixed Income	10,222	-	-	10,222
	<u>418,742</u>	<u>-</u>	<u>-</u>	<u>418,742</u>
Total, September 30, 2019	<u>\$ 418,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,742</u>
Exchange traded funds:				
U.S. Large Cap	\$ 105,431	\$ -	\$ -	\$ 105,431
U.S. Mid Cap	17,512	-	-	17,512
U.S. Small Cap	14,133	-	-	14,133
Non-U.S. Developing				
Market Equity	53,891	-	-	53,891
Investment Grade Intermediate				
Maturity Fixed Income	154,367	-	-	154,367
Investment Grade Short				
Maturity Fixed Income	28,348	-	-	28,348
Non-Investment Grade				
Fixed Income	10,166	-	-	10,166
	<u>383,848</u>	<u>-</u>	<u>-</u>	<u>383,848</u>
Total, September 30, 2018	<u>\$ 383,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383,848</u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	<u>2019</u>	<u>2018</u>
Funding agencies	\$ 287,321	\$ 376,300
Private insurance, net of allowance for contractual adjustments of \$231,675 in 2019 and \$137,841 in 2018	123,702	138,499
Trade, net of allowance for uncollectible accounts of \$17,668 in 2019 and 2018	131,253	62,627
Other	<u>18,273</u>	<u>7,550</u>
	<u>\$ 560,549</u>	<u>\$ 584,976</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 674,589	\$ 674,589
Buildings	5,330,400	4,906,495
Equipment, furniture and fixtures	1,151,728	1,126,929
Vehicles	<u>1,486,992</u>	<u>1,396,585</u>
	8,643,709	8,104,598
Less accumulated depreciation	<u>4,779,836</u>	<u>4,427,763</u>
	<u>\$ 3,863,873</u>	<u>\$ 3,676,835</u>

Depreciation expense was \$352,072 and \$416,066 for the years ended September 30, 2019 and 2018, respectively.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
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NOTE 6 - LINE OF CREDIT

The Arc has a line of credit with a financial institution. The line of credit is secured by accounts maintained at the financial institution and accrues interest at the bank's prime rate, which is a variable rate of interest (5% at September 30, 2019). The line has no stated maturity date and any amounts outstanding are due on demand. As of September 30, 2019 and 2018, there were no outstanding borrowings under the line of credit. In April 2020, the maximum amount available for borrowing was increased from \$250,000 to \$500,000.

NOTE 7 - CAPITAL LEASE OBLIGATION

The Arc leases certain office equipment under an agreement that is classified as a capital lease. The cost of equipment under the capital lease was \$24,736 and is included in the consolidated statements of financial position as property and equipment at September 30, 2019 and 2018. Accumulated amortization of the leased equipment at September 30, 2019 and 2018 was \$23,393 and \$18,682, respectively. Amortization of assets under capital lease is included in depreciation expense.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of September 30, 2019, are as follows:

Year Ending <u>September 30,</u>	
2020	\$ 8,550
2021	<u>5,700</u>
Total minimum lease payments	14,250
Less amount representing interest	<u>367</u>
Present value of minimum lease payments	<u><u>\$ 13,883</u></u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 8 - REFUNDABLE ADVANCES

Refundable advances represent grant monies received for which performance has not yet occurred and contributions received for special events that have not yet taken place. These amounts are potential refunds should The Arc default on the contractual arrangements. Refundable advances are summarized as follows:

	2019	2018
Florida Blue	\$ -	\$ 100,000
Wreaths of Joy	47,680	45,000
State Housing Initiatives Partnership	55,633	48,634
Other	-	6,914
	\$ 103,313	\$ 200,548

NOTE 9 - NET ASSETS

Net assets with donor restrictions include contributions that are restricted by a trust agreement for the relief of human suffering, but cannot be used for certain administrative expenses, and various other contributions restricted for specific program uses. Net assets with donor restrictions also include contributions that are restricted for dental and medical needs of clients of The Arc, but can be used for general operations of The Arc if deemed necessary. Annual distributions of these funds for dental and medical needs of clients of The Arc are limited to 6% of the account's value. These restrictions may be met by the passage of time and actions of The Arc.

In October 1994, The Arc received a Community Development Block Grant (CDBG) for \$300,000 which funded a new building for The Arc's Infant-Toddler Program. The grant indefinitely restricts the use of the building to educational training and therapy of infants and toddlers, unless an alternate purpose is approved by CDBG administrators. During 2003, approval was received to utilize the building for alternative needs.

Certain vehicles and other buildings acquired or renovated with grantor funds have limitations imposed on their use for specified periods of time and are included in net assets with donor restrictions. The contributions used for this property and equipment are amortized over the time restriction and released to net assets without donor restrictions. Should the vehicles and buildings be used for an unapproved purpose, grant funds must be returned to the grantor. To date, The Arc has used the vehicles and buildings for approved purposes.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 9 - NET ASSETS (Continued)

Net asset with donor restrictions, other than endowments, are available for the following purposes:

	<u>2019</u>	<u>2018</u>
The Arc mission - relief of human suffering - restricted to non-administrative expenses	\$ 28,639	\$ 28,639
The Arc mission - client dental and medical needs - restricted to 6% annual distributions	32,671	32,671
Physical security of facilities	12,308	12,308
Time restricted property and equipment	1,792,751	1,576,357
Other	<u>28,283</u>	<u>50,103</u>
	<u>\$ 1,894,652</u>	<u>\$ 1,700,078</u>

For the years ended September 30, 2019 and 2018, net assets were released from restrictions for the following purposes:

	<u>2019</u>	<u>2018</u>
Expiration of time restriction	\$ 216,394	250,119
Other	<u>17,707</u>	<u>9,537</u>
	<u>\$ 234,101</u>	<u>\$ 259,656</u>

In addition, net asset with donor restrictions also consist of endowment funds with donor imposed restrictions and contributions restricted within the Trust. These restrictions require the principal donation be kept intact permanently and maintained in separate deposit accounts. Income generated from The Arc's endowment funds is not restricted by the donor for specific purposes. Income generated from the Trust's assets is transferred to The Arc's net asset without donor restrictions each year.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 9 - NET ASSETS (Continued)

The following is a summary of endowment net asset with donor related restrictions, categorized by the purpose for which earnings are expendable:

	<u>2019</u>	<u>2018</u>
Repair, maintenance, furnishing and operation of Pollak Training Center	\$ 18,500	\$ 18,500
Scholarships	20,000	20,000
Escambia County Association for Retarded Citizens Trust - The Arc mission	<u>252,769</u>	<u>252,669</u>
	<u>\$ 291,269</u>	<u>\$ 291,169</u>

Changes in endowment net assets for the year ended September 30, 2019 were as follows:

	<u>Arc</u>	<u>Trust</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,500	\$ 252,669	\$ 291,169
Contributions	-	100	100
Investment income	500	535	1,035
Amounts appropriated for expenditure	<u>(500)</u>	<u>(535)</u>	<u>(1,035)</u>
Endowment net assets, end of year	<u>\$ 38,500</u>	<u>\$ 252,769</u>	<u>\$ 291,269</u>

Changes in endowment net assets for the year ended September 30, 2018 were as follows:

	<u>Arc</u>	<u>Trust</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 38,500	\$ 249,455	\$ 287,955
Contributions	-	3,214	3,214
Investment income	500	2,114	2,614
Amounts appropriated for expenditure	<u>(500)</u>	<u>(2,114)</u>	<u>(2,614)</u>
Endowment net assets, end of year	<u>\$ 38,500</u>	<u>\$ 252,669</u>	<u>\$ 291,169</u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 9 - NET ASSETS (Continued)

All restricted monies received by The Arc shall be deposited only in federally insured financial institutions or in United States government obligations guaranteed by the full faith and credit of the United States government. The Arc invests the endowments in certificates of deposit. The Trust shall invest assets solely in interest-bearing savings accounts or interest-bearing bonds, either and all of which shall be insured investments secured by the full faith and credit of the United States government or an agency thereof. The Trust invests its funds in certificates of deposit. The Foundation has no endowments or similar restrictions on investments.

NOTE 10 - LIQUIDITY

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,241,678	\$ 1,458,962
Investments	453,653	417,459
Accounts receivable	<u>560,549</u>	<u>584,976</u>
	<u>\$ 2,255,880</u>	<u>\$ 2,461,397</u>

Financial assets have been reduced by amounts which are not available for general use because of donor imposed restrictions within one year of the statement of financial position date.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Medicaid Funding:

The Arc receives Medicaid funding which is subject to review by various regulatory agencies to determine program compliance. Subsequent to such review, The Arc is potentially liable for repayment of claims and reimbursements made pursuant to the program which are found to be in violation of policy. Management has not been notified of any significant pending claims.

Contingencies:

The Arc receives a substantial amount of its support from the Agency for Persons with Disabilities. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on The Arc's programs.

Grants require the fulfillment of certain conditions as set forth in the grant agreements. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, The Arc's Board of Directors deems the contingency remote, since by acceptance of the grants and their terms, it has structured the objectives of The Arc to meet the provisions of the grants.

Concentration of Credit Risk - Revenue Sources:

The Arc receives revenue from various sources. Primary revenue providers and their approximate percentage of funding are as follows:

	<u>2019</u>	<u>2018</u>
Medicaid	40%	37%
Federal and State agencies	11%	26%
Other contracts and grants	26%	13%

Amounts due from Medicaid and federal and state agencies comprised 28% and 43% of total accounts receivable as of September 30, 2019 and 2018, respectively.

Uninsured Cash and Cash Equivalents:

The Arc's cash and cash equivalents held at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At September 30, 2019, The Arc's uninsured balances at financial institutions totaled approximately \$295,000.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease:

The Arc leases office space under a non-cancelable lease expiring on December 31, 2021. Rental expense under the operating lease was \$30,691 and \$21,413 for the years ended September 30, 2019 and 2018, respectively. Future minimum lease payments under the lease are as follows:

Year Ending <u>September 30,</u>		
2020	\$	30,691
2021		8,565
	\$	39,256

NOTE 12 - RELATED PARTY TRANSACTIONS

Various members of The Arc’s Board of Directors hold key positions with vendors used by The Arc. Total expenditures to these vendors were \$359,525 and \$322,460 for the years ended September 30, 2019 and 2018, respectively.

NOTE 13 - ALLOCATION OF FUNCTIONAL EXPENSES

Direct costs associated with the various Arc programs have been summarized on a functional basis in the consolidated statements of activities. The Arc general and administrative expenses have been allocated among the programs benefited based on a proportionate share of direct expenses.

Unallocated general and administrative expenses for the years ended September 30, 2019 and 2018 amounted to \$610,368 and \$488,713, respectively, and were offset by support and revenue included in contributions, special events, membership dues, and interest income.

NOTE 14 - EMPLOYEE BENEFIT PLAN

On October 1, 2018, The Arc began sponsoring a 401(k) and profit sharing plan covering substantially all employees. Employees may contribute up to 100% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Arc’s matching and profit sharing contributions are discretionary. No matching or profit sharing contributions were made during the year ended September 30, 2019. Administrative expenses were \$294 for the year ended September 30, 2019.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(With summarized comparative financial information as of and
For the year ended September 30, 2018)

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to September 30, 2019, Corona Virus Disease (COVID-19) became a pandemic. As a result, economic uncertainties have arisen that may affect The Arc's operations. The impact of those uncertainties on the accompanying consolidated financial statements cannot be estimated.

SUPPLEMENTARY INFORMATION

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

(With summarized comparative financial information for the year ended September 30, 2018)

ASSETS

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2019 Consolidated Total	2018 Consolidated Total
Current Assets:							
Cash and cash equivalents	\$ 758,815	\$ 5,493	\$ 170,348	\$ 307,022	\$ -	\$ 1,241,678	\$ 1,458,962
Investments	86,122	-	91,622	418,742	-	596,486	716,069
Accounts receivable, net	551,459	-	-	9,090	-	560,549	584,976
Accounts receivable-intercompany	765,531	1,194,699	-	(811)	(1,959,419)	-	-
Inventories	180,116	-	-	-	-	180,116	107,233
Prepaid expenses and other assets	158,305	30	-	4,949	-	163,284	125,855
Total current assets	<u>2,500,348</u>	<u>1,200,222</u>	<u>261,970</u>	<u>738,992</u>	<u>(1,959,419)</u>	<u>2,742,113</u>	<u>2,993,095</u>
Property and Equipment, net:							
Without donor restrictions	736,191	1,302,714	-	-	-	2,038,905	2,171,798
With donor restrictions	1,744,495	80,473	-	-	-	1,824,968	1,505,037
Total property and equipment, net	<u>2,480,686</u>	<u>1,383,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,863,873</u>	<u>3,676,835</u>
Total Assets	<u>\$ 4,981,034</u>	<u>\$ 2,583,409</u>	<u>\$ 261,970</u>	<u>\$ 738,992</u>	<u>\$ (1,959,419)</u>	<u>\$ 6,605,986</u>	<u>\$ 6,669,930</u>

LIABILITIES AND NET ASSETS

Current Liabilities:							
Accounts payable	\$ 118,638	\$ -	\$ -	\$ -	\$ -	\$ 118,638	\$ 81,112
Accounts payable-intercompany	1,193,888	701,533	9,201	54,797	(1,959,419)	-	-
Accrued expenses	458,892	-	-	-	-	458,892	421,125
Refundable advances	55,633	-	-	47,680	-	103,313	200,548
Current maturities of capital lease obligation	8,247	-	-	-	-	8,247	8,005
Total current liabilities	<u>1,835,298</u>	<u>701,533</u>	<u>9,201</u>	<u>102,477</u>	<u>(1,959,419)</u>	<u>689,090</u>	<u>710,790</u>
Long-Term Liabilities:							
Capital lease obligation, less current maturities	5,636	-	-	-	-	5,636	13,883
Total liabilities	<u>1,840,934</u>	<u>701,533</u>	<u>9,201</u>	<u>102,477</u>	<u>(1,959,419)</u>	<u>694,726</u>	<u>724,673</u>
Net Assets:							
Without donor restrictions	1,407,927	1,713,568	-	603,844	-	3,725,339	3,954,010
With donor restrictions	1,732,173	168,308	252,769	32,671	-	2,185,921	1,991,247
Total net assets	<u>3,140,100</u>	<u>1,881,876</u>	<u>252,769</u>	<u>636,515</u>	<u>-</u>	<u>5,911,260</u>	<u>5,945,257</u>
Total Liabilities and Net Assets	<u>\$ 4,981,034</u>	<u>\$ 2,583,409</u>	<u>\$ 261,970</u>	<u>\$ 738,992</u>	<u>\$ (1,959,419)</u>	<u>\$ 6,605,986</u>	<u>\$ 6,669,930</u>

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019
(With summarized comparative financial information for the year ended September 30, 2018)

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2019 Consolidated Total	2018 Consolidated Total
Operating Activities:							
Revenue and Support:							
Medicaid -							
Developmental Disabilities Individual							
Budgeting waivers	\$ 3,104,752	\$ -	\$ -	\$ -	\$ -	\$ 3,104,752	\$ 2,982,036
Omnibus Budget Reconciliation Act (OBRA)	216,530	-	-	-	-	216,530	269,724
Federal and state grants	887,863	-	-	-	-	887,863	2,302,947
Department of Transportation contracts	858,440	-	-	-	-	858,440	717,289
Noncontract funding	240,666	-	-	-	-	240,666	234,271
Other contracts and financial assistance	1,079,870	-	-	-	-	1,079,870	195,526
Private insurance	120,185	-	-	-	-	120,185	344,607
Program income	285,781	-	-	-	-	285,781	27,937
Sales to public	499,668	-	-	-	-	499,668	614,797
United Way	87,461	-	-	-	-	87,461	91,350
Public support contributions	207,252	-	100	27,440	(23,750)	211,042	244,214
Special events	7,001	-	-	347,385	-	354,386	460,031
Membership revenue	-	-	-	-	-	-	18,570
Miscellaneous	66,954	-	-	1,218	-	68,172	103,467
Interest-intercompany	535	-	-	-	(535)	-	-
Contributions-intercompany	225,000	-	-	-	(225,000)	-	-
Staff reimbursement-intercompany	97,910	-	-	-	(97,910)	-	-
Total operating revenue and support	7,985,868	-	100	376,043	(347,195)	8,014,816	8,606,766
Operating Expenses:							
Salaries	4,846,260	-	-	-	-	4,846,260	4,961,595
Employee benefits	424,452	-	-	-	-	424,452	606,257
Payroll taxes and workers compensation	398,059	-	-	-	-	398,059	471,948
Staff reimbursement-intercompany	-	-	-	97,910	(97,910)	-	-
Professional fees	685,575	-	-	5,000	-	690,575	969,751
Supplies and small equipment	289,343	-	-	3,775	-	293,118	258,991
Postage and freight	8,057	-	-	10,180	-	18,237	11,037
Interest	541	-	-	-	-	541	2,139

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

(With summarized comparative financial information for the year ended September 30, 2018)

(Continued)

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2019 Consolidated Total	2018 Consolidated Total
Operating Expenses (Continued):							
Occupancy	\$ 335,265	\$ -	\$ -	\$ -	\$ -	\$ 335,265	\$ 334,824
Telephone	101,709	-	-	2,533	-	104,242	99,920
Equipment maintenance and rental	113,900	-	-	-	-	113,900	123,835
Printing and publication	12,330	-	-	421	-	12,751	10,497
Travel	44,453	-	-	2,711	-	47,164	55,608
Vehicle expense	261,965	-	-	-	-	261,965	314,144
Special events	11,355	-	-	44,173	(23,750)	31,778	90,101
Costs of direct benefits to donors	-	-	-	48,526	-	48,526	51,147
Client assistance	14,347	-	-	-	-	14,347	11,459
Dues and memberships	16,562	-	-	861	-	17,423	27,488
Miscellaneous	68,825	372	-	10,890	-	80,087	31,157
Interest distribution - intercompany	-	-	535	-	(535)	-	-
Contributions-intercompany	-	-	-	225,000	(225,000)	-	-
Depreciation	268,316	83,756	-	-	-	352,072	416,066
	<u>7,901,314</u>	<u>84,128</u>	<u>535</u>	<u>451,980</u>	<u>(347,195)</u>	<u>8,090,762</u>	<u>8,847,964</u>
Total operating expenses							
Change in net assets from operating activities	<u>84,554</u>	<u>(84,128)</u>	<u>(435)</u>	<u>(75,937)</u>	<u>-</u>	<u>(75,946)</u>	<u>(241,198)</u>
Nonoperating Activities:							
Investment income, including gains and losses	<u>17,226</u>	<u>-</u>	<u>535</u>	<u>24,188</u>	<u>-</u>	<u>41,949</u>	<u>26,159</u>
Change in Net Assets	101,780	(84,128)	100	(51,749)	-	(33,997)	(215,039)
Net Assets, Beginning of Year	<u>3,038,320</u>	<u>1,966,004</u>	<u>252,669</u>	<u>688,264</u>	<u>-</u>	<u>5,945,257</u>	<u>6,160,296</u>
Net Assets, End of Year	<u>\$ 3,140,100</u>	<u>\$ 1,881,876</u>	<u>\$ 252,769</u>	<u>\$ 636,515</u>	<u>\$ -</u>	<u>\$ 5,911,260</u>	<u>\$ 5,945,257</u>