

THE ARC GATEWAY, INC.

PENSACOLA, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**(With summarized comparative financial information as of and
for the year ended September 30, 2019)**

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, 2020, 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, 2020, 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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 May 10, 2021, 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
May 10, 2021

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(With comparative financial information as of September 30, 2019)

ASSETS

	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 808,251	\$ 1,241,678
Investments without donor restrictions	472,625	453,653
Investments with donor restrictions	111,152	142,833
Accounts receivable, net	512,265	560,549
Inventories	110,688	180,116
Prepaid expenses and other assets	129,879	163,284
Total current assets	2,144,860	2,742,113
Property and Equipment, net:		
Without donor restrictions	2,099,558	2,038,905
With donor restrictions	1,753,284	1,824,968
Total property and equipment, net	3,852,842	3,863,873
Total Assets	\$ 5,997,702	\$ 6,605,986

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 72,977	\$ 118,638
Accrued expenses	465,993	458,892
Refundable advances	48,634	103,313
Current maturities of capital lease obligation	8,141	8,247
Total current liabilities	595,745	689,090
Long-Term Liabilities:		
Capital lease obligation, less current maturities	31,124	5,636
Total liabilities	626,869	694,726
Net Assets:		
Without donor restrictions	3,440,037	3,725,339
With donor restrictions	1,930,796	2,185,921
Total net assets	5,370,833	5,911,260
Total Liabilities and Net Assets	\$ 5,997,702	\$ 6,605,986

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

THE ARC GATEWAY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020
(With summarized comparative financial information for the year ended September 30, 2019)

	2020		2019 Total
	Without Donor Restrictions	With Donor Restrictions	
Operating Activities:			
Revenue and Support:			
Medicaid -			
Developmental Disabilities Individual Budgeting waivers	\$ 1,981,644	\$ -	\$ 3,104,752
Omnibus Budget Reconciliation Act (OBRA)	365,184	-	216,530
Federal and state grants	1,467,598	-	887,863
COVID-19 related income	1,681,410	-	-
Department of Transportation contracts	763,226	-	858,440
Noncontract funding	239,733	-	240,666
Other contracts and financial assistance	155,519	-	1,079,870
Private insurance	216,690	-	120,185
Program income	13,590	-	285,781
Sales to public, net of direct costs of \$194,266	274,726	-	499,668
United Way	61,439	-	87,461
Public support contributions	243,361	8,600	211,042
Special events	299,046	-	354,386
Miscellaneous	111,566	-	68,172
Net assets released from restrictions	263,725	(263,725)	-
Total operating revenue and support	<u>8,138,457</u>	<u>(255,125)</u>	<u>7,883,332</u>
Operating Expenses:			
Program Services -			
Pollak Training Center	777,816	-	718,747
Pollak Industries	603,144	-	671,362
Community Based Employment	994,025	-	937,322
Employment Services	242,124	-	233,459
Pearl Nelson Child Development Center	1,156,250	-	1,159,789
Group Homes	1,995,741	-	1,709,514
Supported Living	120,058	-	130,196
Senior Adult Program	203,512	-	195,259
Transportation	616,966	-	528,472
Program for Adult Learning and Support	776,568	-	833,975
Jeff's Corner Garden	-	-	76,241
Hightower	38,511	-	15,698
South Santa Rosa	165,256	-	148,195
Total program services	<u>7,689,971</u>	<u>-</u>	<u>7,358,229</u>
Supporting Services -			
Fund raising	160,539	-	122,165
General and administrative -			
General	480,611	-	467,350
Maintenance	120,783	-	143,018
Total supporting services	<u>761,933</u>	<u>-</u>	<u>732,533</u>
Total operating expenses	<u>8,451,904</u>	<u>-</u>	<u>8,090,762</u>
Change in net assets from operating activities	<u>(313,447)</u>	<u>(255,125)</u>	<u>(568,572)</u>
Nonoperating Activities:			
Investment income, including gains and losses	28,145	-	41,949
Change in Net Assets	<u>(285,302)</u>	<u>(255,125)</u>	<u>(540,427)</u>
Net Assets:			
Beginning of year	<u>3,725,339</u>	<u>2,185,921</u>	<u>5,911,260</u>
End of year	<u>\$ 3,440,037</u>	<u>\$ 1,930,796</u>	<u>\$ 5,370,833</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, 2020
(With summarized comparative financial information for the year ended September 30, 2019)

PROGRAM SERVICES

	Pollak Training Center	Pollak Industries	Community Based Employment	Employment Services	Pearl Nelson Child Development Center	Group Homes	Supported Living
Salaries	\$ 426,203	\$ 363,708	\$ 626,763	\$ 146,807	\$ 470,311	\$ 1,173,864	\$ 68,586
Employee benefits	62,438	27,611	40,471	29,679	48,972	161,696	15,602
Payroll taxes and workers compensation	15,552	9,294	17,992	2,893	12,267	24,667	2,923
Professional fees	12,546	7,767	55,647	2,836	360,632	18,316	2,287
Supplies and small equipment	20,568	8,229	32,682	559	11,123	99,560	1,779
Postage and freight	438	326	-	99	877	84	20
Interest	9	9	-	9	9	-	-
Occupancy	65,970	48,400	9,520	3,479	27,214	50,966	394
Telephone	10,117	7,330	5,773	8,045	11,789	25,290	1,869
Equipment maintenance and rental	11,103	9,233	3,264	960	8,685	7,532	374
Printing and publication	-	848	-	-	140	104	80
Travel	119	791	2,643	6,301	8,840	518	5,975
Vehicle expense	6,630	12,318	21,363	-	-	16,679	-
Special events	62	122	363	-	166	2,200	-
Costs of direct benefits to donors	-	-	-	-	-	-	-
Client assistance	1,191	317	300	-	-	2,774	55
Dues and memberships	1,559	100	-	-	800	340	50
Miscellaneous	5	-	-	-	-	374	-
Depreciation	13,343	5,967	11,149	-	1,230	77,313	-
Total Direct Expenses	<u>647,853</u>	<u>502,370</u>	<u>827,930</u>	<u>201,667</u>	<u>963,055</u>	<u>1,662,277</u>	<u>99,994</u>
Allocation of intercompany expenses from consolidation	18,128	14,053	23,174	5,644	26,949	46,515	2,803
Total Direct Expenses, net	<u>665,981</u>	<u>516,423</u>	<u>851,104</u>	<u>207,311</u>	<u>990,004</u>	<u>1,708,792</u>	<u>102,797</u>
Allocation of general and administration expenses	111,835	86,721	142,921	34,813	166,246	286,949	17,261
Total Expenses	<u>\$ 777,816</u>	<u>\$ 603,144</u>	<u>\$ 994,025</u>	<u>\$ 242,124</u>	<u>\$ 1,156,250</u>	<u>\$ 1,995,741</u>	<u>\$ 120,058</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, 2020
(With summarized comparative financial information for the year ended September 30, 2019)
(Continued)

PROGRAM SERVICES

	Senior Adult Program	Transportation	Program for Adult Learning and Support	Hightower	South Santa Rosa	Program Services Total
Salaries	\$ 131,149	\$ 231,180	\$ 453,689	\$ -	\$ 74,788	\$ 4,167,048
Employee benefits	8,594	34,866	27,284	-	7,361	464,574
Payroll taxes and workers compensation	3,689	6,208	11,484	2,046	2,062	111,077
Professional fees	2,385	7,224	67,893	2,120	1,210	540,863
Supplies and small equipment	3,575	1,915	5,369	1,260	6,252	192,871
Postage and freight	7	-	123	-	-	1,974
Interest	-	5	-	-	-	41
Occupancy	17,698	2,970	53	12,197	37,877	276,738
Telephone	832	3,776	4,958	5,340	4,561	89,680
Equipment maintenance and rental	1,358	666	78	2,408	118	45,779
Printing and publication	-	-	183	-	18	1,373
Travel	24	1,080	1,677	-	39	28,007
Vehicle expense	57	174,797	35,794	996	2,944	271,578
Special events	-	490	4,167.0	-	200	7,770
Costs of direct benefits to donors	-	-	-	-	-	-
Client assistance	-	-	-	-	-	4,637
Dues and memberships	-	-	-	-	-	2,849
Miscellaneous	-	-	-	-	-	379
Depreciation	137	48,693	34,054	5,710	216	197,812
Total Direct Expenses	<u>169,505</u>	<u>513,870</u>	<u>646,806</u>	<u>32,077</u>	<u>137,646</u>	<u>6,405,050</u>
Allocation of intercompany expenses from consolidation	4,746	14,390	18,108	897	3,849	179,256
Total Direct Expenses, net	<u>174,251</u>	<u>528,260</u>	<u>664,914</u>	<u>32,974</u>	<u>141,495</u>	<u>6,584,306</u>
Allocation of general and administration expenses	29,261	88,706	111,654	5,537	23,761	1,105,665
Total Expenses	<u>\$ 203,512</u>	<u>\$ 616,966</u>	<u>\$ 776,568</u>	<u>\$ 38,511</u>	<u>\$ 165,256</u>	<u>\$ 7,689,971</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, 2020
(With summarized comparative financial information for the year ended September 30, 2019)
(Continued)

SUPPORTING SERVICES

	Fund Raising			General & Administrative			Total Supporting Services
	Dove Shop	Gateway Café	Fund Raising Total	General	Maintenance	General & Administrative Total	
Salaries	\$ 39,701	\$ 45,115	\$ 84,816	\$ 792,767	\$ 24,801	\$ 817,568	\$ 902,384
Employee benefits	4,852	5,465	10,317	39,851	41	39,892	50,209
Payroll taxes and workers compensation	1,310	-	1,310	364,078	1,096	365,174	366,484
Professional fees	1,691	1,457	3,148	72,047	45,845	117,892	121,040
Supplies and small equipment	511	16,274	16,785	68,239	1,313	69,552	86,337
Postage and freight	1,164	105	1,269	7,141	-	7,141	8,410
Interest	-	-	-	2,159	5	2,164	2,164
Occupancy	-	1,531	1,531	31,472	20,887	52,359	53,890
Telephone	1,140	1,760	2,900	12,044	971	13,015	15,915
Equipment maintenance and rental	307	402	709	81,037	1,669	82,706	83,415
Printing and publication	-	651	651	11,015	-	11,015	11,666
Travel	-	-	-	5,965	-	5,965	5,965
Vehicle expense	-	176	176	2,196	2,598	4,794	4,970
Special events	-	104	104	843	-	843	947
Costs of direct benefits to donors	-	-	-	-	-	-	-
Client assistance	-	-	-	133	-	133	133
Dues and memberships	50	50	100	27,248	-	27,248	27,348
Miscellaneous	1,163	1,114	2,277	33,593	-	33,593	35,870
Depreciation	-	-	-	81,460	1,365	82,825	82,825
Total Direct Expenses	<u>51,889</u>	<u>74,204</u>	<u>126,093</u>	<u>1,633,288</u>	<u>100,591</u>	<u>1,733,879</u>	<u>1,859,972</u>
Allocation of intercompany expenses from consolidation	<u>2,727</u>	<u>2,072</u>	<u>4,799</u>	<u>-</u>	<u>2,827</u>	<u>2,827</u>	<u>7,626</u>
Total Direct Expenses, net	<u>54,616</u>	<u>76,276</u>	<u>130,892</u>	<u>1,633,288</u>	<u>103,418</u>	<u>1,736,706</u>	<u>1,867,598</u>
Allocation of general and administration expenses	<u>16,838</u>	<u>12,809</u>	<u>29,647</u>	<u>(1,152,677)</u>	<u>17,365</u>	<u>(1,135,312)</u>	<u>(1,105,665)</u>
Total Expenses	<u>\$ 71,454</u>	<u>\$ 89,085</u>	<u>\$ 160,539</u>	<u>\$ 480,611</u>	<u>\$ 120,783</u>	<u>\$ 601,394</u>	<u>\$ 761,933</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, 2020
(With summarized comparative financial information for the year ended September 30, 2019)
(Continued)

	Arc Subtotal	PRC, Inc.	Trust	Foundation	2020 Total	2019 Total
Salaries	\$ 5,069,432	\$ -	\$ -	\$ -	\$ 5,069,432	\$ 4,846,260
Employee benefits	514,783	-	-	-	514,783	424,452
Payroll taxes and workers compensation	477,561	-	-	-	477,561	398,059
Professional fees	661,903	-	-	4,500	666,403	690,575
Supplies and small equipment	279,208	-	-	5,893	285,101	293,118
Postage and freight	10,384	-	-	82	10,466	18,237
Interest	2,205	-	-	-	2,205	541
Occupancy	330,628	-	-	-	330,628	335,265
Telephone	105,595	-	-	361	105,956	104,242
Equipment maintenance and rental	129,194	-	-	-	129,194	113,900
Printing and publication	13,039	-	-	18	13,057	12,751
Travel	33,972	-	-	580	34,552	47,164
Vehicle expense	276,548	-	-	-	276,548	261,965
Special events	8,717	-	-	23,277	31,994	31,778
Costs of direct benefits to donors	-	-	-	28,446	28,446	48,526
Client assistance	4,770	-	-	3,077	7,847	14,347
Dues and memberships	30,197	-	-	135	30,332	17,423
Miscellaneous	36,249	300	-	9,847	46,396	80,087
Depreciation	280,637	110,366	-	-	391,003	352,072
Total Direct Expenses	<u>8,265,022</u>	<u>110,666</u>	<u>-</u>	<u>76,216</u>	<u>8,451,904</u>	<u>8,090,762</u>
Allocation of intercompany expenses from consolidation	186,882	(110,666)	-	(76,216)	-	-
Total Direct Expenses, net	<u>8,451,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,451,904</u>	<u>8,090,762</u>
Allocation of general and administration expenses	-	-	-	-	-	-
Total Expenses	<u>\$ 8,451,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,451,904</u>	<u>\$ 8,090,762</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, 2020

(With comparative financial information for the year ended September 30, 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (540,427)	\$ (33,997)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	391,003	352,072
Gain on sale of property and equipment	(7,503)	-
Unrealized gain on investments	(2,325)	(42,958)
Contributions restricted for long-term purposes	-	(100)
Changes in operating assets and liabilities -		
Accounts receivable	48,284	24,427
Inventories	69,428	(72,883)
Prepaid expenses and other assets	33,405	(37,429)
Accounts payable	(45,661)	37,526
Accrued expenses	7,101	37,767
Refundable advances	(54,679)	(97,235)
Net cash provided by (used in) operating activities	(101,374)	167,190
Cash Flows From Investing Activities:		
Purchase of property and equipment	(334,805)	(539,110)
Proceeds from sale of property and equipment	7,503	-
Purchase of investments, including reinvested earnings	(118,569)	(40,815)
Proceeds from sale and maturities of investments	133,603	203,356
Net cash used in investing activities	(312,268)	(376,569)
Cash Flows From Financing Activities:		
Principal payments on capital lease obligation	(19,785)	(8,005)
Contributions to permanent endowments	-	100
Net cash used in financing activities	(19,785)	(7,905)
Net Decrease in Cash and Cash Equivalents	(433,427)	(217,284)
Cash and Cash Equivalents, Beginning of Year	1,241,678	1,458,962
Cash and Cash Equivalents, End of Year	\$ 808,251	\$ 1,241,678
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 2,205	\$ 541
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Office equipment acquired with capital lease obligation	\$ 45,167	\$ -

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, 2020
(With summarized comparative financial information as of and
for the year ended September 30, 2019)

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, 2020
(With summarized comparative financial information as of and
for the year ended September 30, 2019)

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 \$18,770 and \$5,090 for the years ended September 30, 2020 and 2019, 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, 2020
(With summarized comparative financial information as of and
for the year ended September 30, 2019)

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, 2020
(With summarized comparative financial information as of and
for the year ended September 30, 2019)

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, 2019, from which the summarized information was derived.

Subsequent Events:

Management has evaluated subsequent events through May 10, 2021, which is the date the consolidated financial statements were available to be issued.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 2 - INVESTMENTS

Investments are summarized as follows:

	Cost	Carrying Amount
September 30, 2020 -		
Without donor restrictions:		
Certificates of deposit	\$ 35,513	\$ 35,513
Exchange traded funds	391,829	437,112
	427,342	472,625
With donor restrictions:		
Certificates of deposit	111,152	111,152
Total investments	\$ 538,494	\$ 583,777
	Cost	Carrying Amount
September 30, 2019 -		
Without donor restrictions:		
Certificates of deposit	\$ 34,911	\$ 34,911
Exchange traded funds	375,784	418,742
	410,695	453,653
With donor restrictions:		
Certificates of deposit	142,833	142,833
Total investments	\$ 553,528	\$ 596,486

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 2 - INVESTMENTS (Continued)

Investment income is summarized as follows:

	2020	2019
Without donor restrictions:		
Interest and dividends	\$ 13,838	\$ 885
Realized gain (loss)	11,982	(1,894)
Unrealized gain	2,325	42,958
Total investment income	\$ 28,145	\$ 41,949

NOTE 3 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) 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, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

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	\$ 128,989	\$ -	\$ -	\$ 128,989
U.S. Mid Cap	17,790	-	-	17,790
U.S. Small Cap	21,928	-	-	21,928
Non-U.S. Developing				
Market Equity	44,487	-	-	44,487
Investment Grade Intermediate				
Maturity Fixed Income	141,200	-	-	141,200
Investment Grade Short				
Maturity Fixed Income	48,973	-	-	48,973
Non-Investment Grade				
Fixed Income	<u>33,745</u>	<u>-</u>	<u>-</u>	<u>33,745</u>
 Total, September 30, 2020	 <u>\$ 437,112</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 437,112</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	<u>10,222</u>	<u>-</u>	<u>-</u>	<u>10,222</u>
 Total, September 30, 2019	 <u>\$ 418,742</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 418,742</u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2020	2019
Funding agencies	\$ 318,229	\$ 287,321
Private insurance, net of allowance for contractual adjustments of \$207,533 in 2020 and \$231,675 in 2019	133,517	123,702
Trade, net of allowance for uncollectible accounts of \$17,586 in 2020 and \$17,668 in 2019	59,917	131,253
Other	602	18,273
	\$ 512,265	\$ 560,549

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2020	2019
Land	\$ 674,589	\$ 674,589
Buildings	5,425,484	5,330,400
Equipment, furniture and fixtures	1,185,983	1,151,728
Vehicles	1,570,364	1,486,992
	8,856,420	8,643,709
Less accumulated depreciation	5,003,578	4,779,836
	\$ 3,852,842	\$ 3,863,873

Depreciation expense was \$391,003 and \$352,072 for the years ended September 30, 2020 and 2019, respectively.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

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 (3.25% at September 30, 2020). The line has no stated maturity date and any amounts outstanding are due on demand. As of September 30, 2020 and 2019, 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 \$45,167 and \$24,736 at September 30, 2020 and 2019, respectively, which is included in the consolidated statements of financial position as property and equipment. Accumulated amortization of the leased equipment at September 30, 2020 and 2019 was \$6,022 and \$23,393, 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, 2020, are as follows:

Year Ending September 30,	
2021	\$ 9,528
2022	9,528
2023	9,528
2024	9,528
2025	4,763
Total minimum lease payments	<u>42,875</u>
Less amount representing interest	<u>3,610</u>
Present value of minimum lease payments	39,265
Current maturities of capital lease obligation	<u>8,141</u>
Capital lease obligation, less current maturities	<u><u>\$ 31,124</u></u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

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:

	2020	2019
Wreaths of Joy	\$ -	\$ 47,680
State Housing Initiatives Partnership	48,634	55,633
	\$ 48,634	\$ 103,313

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, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 9 - NET ASSETS (Continued)

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

	<u>2020</u>	<u>2019</u>
The Arc mission - relief of human suffering - restricted to non-administrative expenses	\$ 28,639	\$ 28,639
Physical security of facilities	12,308	12,308
Time restricted property and equipment	1,572,799	1,792,751
Other	<u>25,781</u>	<u>60,954</u>
	<u>\$ 1,639,527</u>	<u>\$ 1,894,652</u>

For the years ended September 30, 2020 and 2019, net assets were released from restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Expiration of time restriction	\$ 219,952	216,394
Other	<u>43,773</u>	<u>17,707</u>
	<u>\$ 263,725</u>	<u>\$ 234,101</u>

In addition, net assets 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 assets without donor restrictions each year.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 9 - NET ASSETS (Continued)

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

	2020	2019
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	252,769	252,769
	\$ 291,269	\$ 291,269

Changes in endowment net assets for the year ended September 30, 2020 were as follows:

	Arc	Trust	Total
Endowment net assets, beginning of year	\$ 38,500	\$ 252,769	\$ 291,269
Investment income	766	296	1,062
Amounts appropriated for expenditure	(766)	(296)	(1,062)
Endowment net assets, end of year	\$ 38,500	\$ 252,769	\$ 291,269

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

	Arc	Trust	Total
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	(500)	(535)	(1,035)
Endowment net assets, end of year	\$ 38,500	\$ 252,769	\$ 291,269

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

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 - 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 \$272,839 and \$359,525 for the years ended September 30, 2020 and 2019, respectively.

NOTE 11 - 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, 2020 and 2019 amounted to \$601,394 and \$610,368, respectively, and were offset by support and revenue included in contributions, special events, membership dues, and interest income.

NOTE 12 - EMPLOYEE BENEFIT PLAN

The Arc sponsors 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 years ended September 30, 2020 and 2019. Administrative expenses were \$244 and \$294 for the years ended September 30, 2020 and 2019, respectively.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 13 - LIQUIDITY

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

	2020	2019
Cash and cash equivalents	\$ 808,251	\$ 1,241,678
Investments	472,625	453,653
Accounts receivable	512,265	560,549
	\$ 1,793,141	\$ 2,255,880

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.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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, 2020, The Arc's uninsured balances at financial institutions totaled approximately \$342,000.

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 APD. 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.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

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>2020</u>	<u>2019</u>
Medicaid	28%	40%
Federal and State agencies	18%	11%
Other contracts and grants	14%	26%

Amounts due from these providers comprised 37% and 51% of total accounts receivable as of September 30, 2020 and 2019, respectively.

Operating Lease:

The Arc leases office space under a non-cancelable lease expiring on December 31, 2021. Rental expense under the operating lease was \$33,546 and \$30,691 for the years ended September 30, 2020 and 2019, respectively. Future minimum lease payments under the lease are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2021	\$ 34,260
2022	<u>8,565</u>
	<u><u>\$ 42,825</u></u>

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 15 - COVID-19 RELATED INCOME

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. The State of Florida governor issued a stay-at-home order in April, effectively closing all non-essential services. The Arc's day programs, transportation services, Gateway Café and Dove Shop were closed for at least six weeks, and all twenty-four-hour programs continued to operate, as mandated by the APD. The Arc followed Centers for Disease Control (CDC) guidelines while implementing a phased-in reopening of closed programs that allowed for minimizing COVID-19 exposure through social distancing and increased health and hygiene protocols. As The Arc reopened, it operated with significantly reduced attendance, causing a decrease in revenue. Additionally, face-to-face fundraising events were canceled between March and September 2020, which included the annual Golf Tournament and Crab Cake Cook Off, two of the largest fundraising events of the year. Meanwhile, various expenses increased due to the need to purchase additional personal protective equipment, shift program service delivery virtually and provide increased compensation for the hazardous work environment.

In April 2020, The Arc received loan proceeds in the amount of \$1,107,749 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP loan's principal and accrued interest were forgivable to the extent that the proceeds are used for eligible purposes, subject to certain limitations. The Arc incurred eligible forgivable expenses totaling \$1,107,749 from loan funding through September 30, 2020, and the loan was forgiven on December 7, 2020. Management believes it met the indicators included in FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, and accordingly, The Arc recognized \$1,107,749 as a contribution, which is included in COVID-19 related income in the accompanying consolidated statement of activities.

In August 2020, The Arc received \$90,742 in Medicaid Provider Relief Funds, established as part of the CARES Act. Management believes it has incurred eligible expenses and has accordingly recognized the entirety of the amount as income. This amount is included in COVID-19 related income in the accompanying consolidated statement of activities.

In addition, The Arc received retention payments in the amount of \$482,919 from the APD. As a result of COVID-19, the adult day programs were closed from April through July 2020. The retention payments were to assist in support for The Arc during closure of the programs. This amount is included in COVID-19 related income in the accompanying consolidated statement of activities.

THE ARC GATEWAY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(With summarized comparative financial information as of and
For the year ended September 30, 2019)

NOTE 15 - COVID-19 RELATED INCOME (Continued)

The Arc has also evaluated the impact of COVID-19 on its investments. While it is reasonably possible the pandemic could have a negative impact on the fair value of The Arc's investments, the impact is not readily determinable as of the date of these consolidated financial statements.

The Arc is continually monitoring the potential impacts of the COVID-19 pandemic and its effects on the consolidated financial statements. The extent to which the COVID-19 pandemic impacts The Arc going forward will depend on numerous evolving factors, which The Arc cannot reliably predict. The consolidated financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

NOTE 16 - SUBSEQUENT EVENT

On March 19, 2021, The Arc obtained a PPP loan of \$1,120,471 under the second series of loans issued under the CARES Act. The loan matures in March 2026 and requires interest of 1%, which is deferred until December 2021. Under the provisions of the CARES Act, the Company may apply for forgiveness of the loan equal to the sum of certain defined expenses incurred during the 24-week period following the receipt of the loan. The amount of loan forgiveness will be calculated in accordance with the provisions of the CARES Act.

SUPPLEMENTARY INFORMATION

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(With summarized comparative financial information for the year ended September 30, 2019)

ASSETS

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2020 Consolidated Total	2019 Consolidated Total
Current Assets:							
Cash and cash equivalents	\$ 482,051	\$ 5,193	\$ 202,898	\$ 118,109	\$ -	\$ 808,251	\$ 1,241,678
Investments without donor restrictions	35,513	-	-	437,112	-	472,625	453,653
Investments with donor restrictions	51,977	-	59,175	-	-	111,152	142,833
Accounts receivable, net	512,265	-	-	-	-	512,265	560,549
Accounts receivable-intercompany	31,386	493,167	100	-	(524,653)	-	-
Inventories	110,688	-	-	-	-	110,688	180,116
Prepaid expenses and other assets	129,849	30	-	-	-	129,879	163,284
Total current assets	<u>1,353,729</u>	<u>498,390</u>	<u>262,173</u>	<u>555,221</u>	<u>(524,653)</u>	<u>2,144,860</u>	<u>2,742,113</u>
Property and Equipment, net:							
Without donor restrictions	901,565	1,197,993	-	-	-	2,099,558	2,038,905
With donor restrictions	1,678,457	74,827	-	-	-	1,753,284	1,824,968
Total property and equipment, net	<u>2,580,022</u>	<u>1,272,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,852,842</u>	<u>3,863,873</u>
Total Assets	<u>\$ 3,933,751</u>	<u>\$ 1,771,210</u>	<u>\$ 262,173</u>	<u>\$ 555,221</u>	<u>\$ (524,653)</u>	<u>\$ 5,997,702</u>	<u>\$ 6,605,986</u>

LIABILITIES AND NET ASSETS

Current Liabilities:							
Accounts payable	\$ 72,977	\$ -	\$ -	\$ -	\$ -	\$ 72,977	\$ 118,638
Accounts payable-intercompany	493,267	-	9,201	22,185	(524,653)	-	-
Accrued expenses	465,993	-	-	-	-	465,993	458,892
Refundable advances	48,634	-	-	-	-	48,634	103,313
Current maturities of capital lease obligation	8,141	-	-	-	-	8,141	8,247
Total current liabilities	<u>1,089,012</u>	<u>-</u>	<u>9,201</u>	<u>22,185</u>	<u>(524,653)</u>	<u>595,745</u>	<u>689,090</u>
Long-Term Liabilities:							
Capital lease obligation, less current maturities	31,124	-	-	-	-	31,124	5,636
Total liabilities	<u>1,120,136</u>	<u>-</u>	<u>9,201</u>	<u>22,185</u>	<u>(524,653)</u>	<u>626,869</u>	<u>694,726</u>
Net Assets:							
Without donor restrictions	1,289,673	1,617,125	203	533,036	-	3,440,037	3,725,339
With donor restrictions	1,523,942	154,085	252,769	-	-	1,930,796	2,185,921
Total net assets	<u>2,813,615</u>	<u>1,771,210</u>	<u>252,972</u>	<u>533,036</u>	<u>-</u>	<u>5,370,833</u>	<u>5,911,260</u>
Total Liabilities and Net Assets	<u>\$ 3,933,751</u>	<u>\$ 1,771,210</u>	<u>\$ 262,173</u>	<u>\$ 555,221</u>	<u>\$ (524,653)</u>	<u>\$ 5,997,702</u>	<u>\$ 6,605,986</u>

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020
(With summarized comparative financial information for the year ended September 30, 2019)

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2020 Consolidated Total	2019 Consolidated Total
Operating Activities:							
Revenue and Support:							
Medicaid -							
Developmental Disabilities Individual							
Budgeting waivers	\$ 1,981,644	\$ -	\$ -	\$ -	\$ -	\$ 1,981,644	\$ 3,104,752
Omnibus Budget Reconciliation Act (OBRA)	365,184	-	-	-	-	365,184	216,530
Federal and state grants	1,467,598	-	-	-	-	1,467,598	887,863
COVID-19 related income	1,681,410	-	-	-	-	1,681,410	-
Department of Transportation contracts	763,226	-	-	-	-	763,226	858,440
Noncontract funding	239,733	-	-	-	-	239,733	240,666
Other contracts and financial assistance	155,519	-	-	-	-	155,519	1,079,870
Private insurance	216,690	-	-	-	-	216,690	120,185
Program income	13,590	-	-	-	-	13,590	285,781
Sales to public	274,726	-	-	-	-	274,726	499,668
United Way	61,439	-	-	-	-	61,439	87,461
Public support contributions	211,728	-	203	40,030	-	251,961	211,042
Special events	3,560	-	-	295,486	-	299,046	354,386
Miscellaneous	109,921	-	-	1,645	-	111,566	68,172
Interest-intercompany	103	-	-	-	(103)	-	-
Contributions-intercompany	293,970	-	-	-	(293,970)	-	-
Staff reimbursement-intercompany	95,470	-	-	-	(95,470)	-	-
Total operating revenue and support	7,935,511	-	203	337,161	(389,543)	7,883,332	8,014,816
Operating Expenses:							
Salaries	5,069,432	-	-	-	-	5,069,432	4,846,260
Employee benefits	514,783	-	-	-	-	514,783	424,452
Payroll taxes and workers compensation	477,561	-	-	-	-	477,561	398,059
Staff reimbursement-intercompany	-	-	-	95,470	(95,470)	-	-
Professional fees	661,903	-	-	4,500	-	666,403	690,575
Supplies and small equipment	279,208	-	-	5,893	-	285,101	293,118
Postage and freight	10,384	-	-	82	-	10,466	18,237
Interest	2,205	-	-	-	-	2,205	541

THE ARC GATEWAY, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

(With summarized comparative financial information for the year ended September 30, 2019)

(Continued)

	Arc	PRC, Inc.	Trust	Foundation	Intercompany Transactions Eliminations	2020 Consolidated Total	2019 Consolidated Total
Operating Expenses (Continued):							
Occupancy	\$ 330,628	\$ -	\$ -	\$ -	\$ -	\$ 330,628	\$ 335,265
Telephone	105,595	-	-	361	-	105,956	104,242
Equipment maintenance and rental	129,194	-	-	-	-	129,194	113,900
Printing and publication	13,039	-	-	18	-	13,057	12,751
Travel	33,972	-	-	580	-	34,552	47,164
Vehicle expense	276,548	-	-	-	-	276,548	261,965
Special events	8,717	-	-	23,277	-	31,994	31,778
Costs of direct benefits to donors	-	-	-	28,446	-	28,446	48,526
Client assistance	4,770	-	-	3,077	-	7,847	14,347
Dues and memberships	30,197	-	-	135	-	30,332	17,423
Miscellaneous	36,249	300	-	9,847	-	46,396	80,087
Interest distribution - intercompany	-	-	103	-	(103)	-	-
Contributions-intercompany	-	-	-	293,970	(293,970)	-	-
Depreciation	280,637	110,366	-	-	-	391,003	352,072
	<u>8,265,022</u>	<u>110,666</u>	<u>103</u>	<u>465,656</u>	<u>(389,543)</u>	<u>8,451,904</u>	<u>8,090,762</u>
Total operating expenses							
Change in net assets from operating activities	<u>(329,511)</u>	<u>(110,666)</u>	<u>100</u>	<u>(128,495)</u>	<u>-</u>	<u>(568,572)</u>	<u>(75,946)</u>
Nonoperating Activities:							
Investment income, including gains and losses	<u>3,026</u>	<u>-</u>	<u>103</u>	<u>25,016</u>	<u>-</u>	<u>28,145</u>	<u>41,949</u>
Change in Net Assets	<u>(326,485)</u>	<u>(110,666)</u>	<u>203</u>	<u>(103,479)</u>	<u>-</u>	<u>(540,427)</u>	<u>(33,997)</u>
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,813,615</u>	<u>\$ 1,771,210</u>	<u>\$ 252,972</u>	<u>\$ 533,036</u>	<u>\$ -</u>	<u>\$ 5,370,833</u>	<u>\$ 5,911,260</u>

THE ARC GATEWAY, INC
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2020

<u>State Grantor/Pass-through Grantor, Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>State of Florida,</u>			
<u>Agency for Persons with Disabilities</u>			
Program for Adult Learning and Support	67.036	ACX56/ ACX73	\$ 1,108,100
Total Expenditures of State Financial Assistance			<u>\$ 1,108,100</u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.