

THE ARC OF PUTNAM COUNTY, INC.
FINANCIAL REPORT

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Putnam County, Inc.
Palatka, Florida

Qualified Opinion

We have audited the accompanying financial statements of The Arc of Putnam County, Inc. (the "Organization"), a Florida not-for-profit corporation, which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating all financially interrelated organizations, as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Putnam County, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 (financially interrelated organizations) to the financial statements, the Organization has control over and an economic interest in two financially interrelated not-for-profit organizations. Accounting principles generally accepted in the United States of America require that all such entities be accounted for as consolidated subsidiaries. These two entities were not consolidated into these financial statements. Had these entities been consolidated into the Organization's financial statements, total assets would be increased by \$593,259, total liabilities would be increased by \$212,705 and the change in net assets would have increased by \$65,108 for the year ended June 30, 2022.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc of Putnam County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter: COVID-19 Pandemic

As discussed in Note 13 to the financial statements, management has evaluated the operational and financial effect on the Organization of the COVID-19 pandemic. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Putnam County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc of Putnam County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Putnam County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, on our consideration of The Arc of Putnam County, 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 solely 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 the effectiveness of The Arc of Putnam County, Inc.'s 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 of Putnam County, Inc.'s internal control over financial reporting and compliance.

Abare, Kresge & Associates CPAs, LLC

Abare, Kresge & Associates CPAs, LLC
St. Augustine, FL
March 10, 2023

THE ARC OF PUTNAM COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 2,622,054 |
| Investments | 1,119,388 |
| Accounts receivable, net of allowance for doubtful accounts of \$8,200 | 260,216 |
| Prepaid expenses | 5,751 |
| Property and equipment, net | <u>1,897,499</u> |
| TOTAL ASSETS | <u>\$ 5,904,908</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|--|------------------|
| Accounts payable and accrued expenses | \$ 26,475 |
| Accrued labor and other related expenses | 232,036 |
| Deferred revenue | <u>904,397</u> |
| TOTAL LIABILITIES | <u>1,162,908</u> |

NET ASSETS

| | |
|---------------------------------------|---------------------|
| Net assets without donor restrictions | <u>4,742,000</u> |
| TOTAL NET ASSETS | <u>4,742,000</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,904,908</u> |

See accompanying notes

THE ARC OF PUTNAM COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

REVENUE AND SUPPORT

| | |
|--|------------------|
| Medwaiver and other service revenue | \$ 3,573,545 |
| Work contract revenue | 33,234 |
| Ride Solution administrative fee | 19,685 |
| Contributions and fundraisers | 65,394 |
| Grants | 293,462 |
| Other fees and income | 284,945 |
| Investment income, net of fees (\$11,077) | 6,133 |
| Realized and unrealized loss on investments, net | <u>(88,567)</u> |
| Total revenue and support | <u>4,187,831</u> |

EXPENSES

| | |
|------------------------|------------------|
| Program | 3,888,343 |
| Management and general | <u>875,031</u> |
| Total expenses | <u>4,763,374</u> |

| | |
|--|----------------------------|
| CHANGE IN NET ASSETS | (575,543) |
| NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING | <u>5,317,543</u> |
| NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING | <u><u>\$ 4,742,000</u></u> |

See accompanying notes

THE ARC OF PUTNAM COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | Program Services | | | | Supporting Services | |
|------------------------------------|---------------------|---------------------|--------------------|---------------------|----------------------|---------------------|
| | Employment Services | Residential Care | Adult Day Services | Total | Management & General | Total |
| Salaries and wages | \$ 131,453 | \$ 1,756,041 | \$ 571,727 | \$ 2,459,221 | \$ 408,084 | \$ 2,867,305 |
| Payroll taxes | 8,108 | 118,484 | 34,261 | 160,853 | 56,418 | 217,271 |
| Employee benefits | 18,008 | 271,637 | 77,433 | 367,078 | 110,184 | 477,262 |
| Total salary and benefits | <u>157,569</u> | <u>2,146,162</u> | <u>683,421</u> | <u>2,987,152</u> | <u>574,686</u> | <u>3,561,838</u> |
| Auto | 8,614 | 66,453 | 23,809 | 98,876 | 199 | 99,075 |
| Bad debt | - | - | - | - | 38,853 | 38,853 |
| Bank fees | - | - | - | - | 413 | 413 |
| Consumer costs | - | 157,974 | 4,299 | 162,273 | 28 | 162,301 |
| Contract labor | - | 8,700 | 27,400 | 36,100 | - | 36,100 |
| Education and training | 15,636 | 14,142 | 9,258 | 39,036 | 5,688 | 44,724 |
| Employee costs | 1,646 | 6,844 | 1,750 | 10,240 | 523 | 10,763 |
| Equipment and supplies | 720 | 9,610 | 9,746 | 20,076 | 28,578 | 48,654 |
| Insurance | 2,265 | 35,690 | 13,779 | 51,734 | 7,937 | 59,671 |
| Licenses and fees | - | 1,669 | 847 | 2,516 | 64,842 | 67,358 |
| Miscellaneous | - | 2,959 | 416 | 3,375 | 3,352 | 6,727 |
| Office | 10,000 | 24,589 | 25,415 | 60,004 | 30,439 | 90,443 |
| Professional fees | - | 105 | 9,763 | 9,868 | 52,077 | 61,945 |
| Rent | - | 95,325 | 45,000 | 140,325 | 5,000 | 145,325 |
| Repairs and maintenance | 372 | 38,608 | 31,600 | 70,580 | 11,032 | 81,612 |
| Safety | - | - | - | - | 4,856 | 4,856 |
| Telephone | - | 5,592 | 3,879 | 9,471 | 3,671 | 13,142 |
| Travel | 403 | 1,021 | 768 | 2,192 | 3,875 | 6,067 |
| Utilities | 220 | 44,351 | 47,403 | 91,974 | 8,132 | 100,106 |
| Total expenses before depreciation | 197,445 | 2,659,794 | 938,553 | 3,795,792 | 844,181 | 4,639,973 |
| Depreciation | 12,340 | 49,361 | 30,850 | 92,551 | 30,850 | 123,401 |
| Total expenses | <u>\$ 209,785</u> | <u>\$ 2,709,155</u> | <u>\$ 969,403</u> | <u>\$ 3,888,343</u> | <u>\$ 875,031</u> | <u>\$ 4,763,374</u> |

See accompanying notes

THE ARC OF PUTNAM COUNTY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|----|----------------|
| Change in net assets | \$ | (575,543) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | | 123,401 |
| Realized and unrealized loss on investments | | 88,567 |
| Bad debt | | 38,853 |
| Net changes in: | | |
| Accounts receivable | | 62,764 |
| Prepaid expenses | | (2,403) |
| Accounts payable and accrued expenses | | (1,420) |
| Accrued labor and other related expenses | | 55,915 |
| Deferred revenue | | <u>904,397</u> |
| Net cash provided by operating activities | | <u>694,531</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---|--|-----------------|
| Proceeds from investments | | 654,116 |
| Purchases of property and equipment | | <u>(29,174)</u> |
| Net cash provided by investing activities | | <u>624,942</u> |

| | | |
|--------------------|----|-------------------------|
| NET CHANGE IN CASH | | 1,319,473 |
| CASH, BEGINNING | | <u>1,302,581</u> |
| CASH, ENDING | \$ | <u><u>2,622,054</u></u> |

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|------------------------|----|-----------------|
| Cash paid for interest | \$ | <u><u>-</u></u> |
|------------------------|----|-----------------|

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

The Arc of Putnam County, Inc., (the “Organization”), a Florida not-for-profit corporation, was organized to provide for the general welfare of developmentally disabled individuals in Putnam County, Florida through education, vocational, residential and recreational programs.

The Arc of Putnam County, Inc.’s affiliates, Progressive Housing of Putnam County, Inc. (“Progressive Housing”) and The Association for Residential Care of Putnam County, Inc. (“Residential Care”) have common boards of directors to the Organization and are under the organizational control of the Executive Director of the Organization. Progressive Housing and Residential Care pay the Organization for housekeeping and maintenance services for the group homes. In addition, the Organization refers tenants to Progressive Housing, disburses rent on behalf of tenants to Progressive Housing and runs various programs for residents of the group home.

Under accounting principles generally accepted in the United States of America, Progressive and Residential Care are considered subsidiaries of the Organization. Consolidated financial statements, therefore, would be required for presentation under accounting principles generally accepted in the United States of America. Management has elected, however, not to consolidate these two related entities. Separately issued financial statements are available for each of the related entities.

A summary of the financial data of Progressive Housing and Residential Care is presented below:

| | Progressive Housing of Putnam County, Inc. | Association for Residential Care of Putnam County, Inc. | Total |
|----------------------|--|---|-------------------|
| Assets | \$ 379,226 | \$ 214,033 | \$ 593,259 |
| Liabilities | 65,837 | 146,868 | 212,705 |
| Net assets | <u>\$ 313,389</u> | <u>\$ 67,165</u> | <u>\$ 380,554</u> |
| Revenues | \$ 329,888 | \$ 150,241 | \$ 480,129 |
| Expenses | 284,559 | 130,462 | 415,021 |
| Change in net assets | <u>\$ 45,329</u> | <u>\$ 19,779</u> | <u>\$ 65,108</u> |

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, accrued expenses, and other liabilities.

Revenue Recognition

The Organization recognizes revenue with any of its customer contracts consistent with Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. Under ASC 606, revenue for customer contract related services is required to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which an organization expects to be entitled in exchange for those goods and services. The Organization has adjusted the presentation of these statements accordingly.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of 90 days or less.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are composed of certificates of deposits with maturities of more than 90 days and are stated at cost plus accrued earnings, which approximate fair value. In addition, the Organization invests in a professionally managed portfolio that contains common shares of publicly traded companies, mutual funds, and annuities. Such Investments are exposed to various market risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements. All investments are carried at fair value.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value.

Financial Accounting Standards Board ASC 820, *Fair Value Measurement* ("ASC 820"), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

All financial instruments are considered to be level 1 inputs in the fair value hierarchy.

Accounts Receivable

The Organization grants credit to consumers for fees from the State of Florida Medicaid Waiver Program. Receivables are considered delinquent when the account is 30 days or more past due, and a reserve for doubtful accounts is provided based on its experience. Balances still outstanding after management has used reasonable collection efforts are written off. The Organization does not require collateral for receivable balances and does not assess finance charges against accounts considered past due. For the year ended June 30, 2022, the Organization recorded bad debt expense of \$38,853 related to uncollectable accounts receivable. At June 30, 2022, the Organization's allowance for doubtful accounts was \$8,200.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded at their estimated fair market value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and furnishings are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than \$2,000 are expensed as incurred.

Building and improvements are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 20 years. Vehicles are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 7 years. Land is not depreciated. Depreciation expense for the year ended June 30, 2022 was \$123,401.

Classification of Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958-205. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

- a. Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- b. Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2022, the Organization had no net assets with donor restrictions.

Compensated Absences

Employees accrue vacation pay at a rate based on their length of service according to the following schedule.

Years of Service Hours Earned/Month

| | |
|-------------|----------|
| 0–3 years - | 8 hours |
| 4–5 years - | 10 hours |
| 6–9 years - | 12 hours |
| 10+ years - | 14 hours |

Employees may carry 120 hours of earned annual leave to the following year; any hours exceeding the cap are forfeited. Inclusion of unused annual leave in an employee's final paycheck will be solely at the Executive Director's discretion, however, the liability recorded has been computed using the total number of unpaid hours earned as of June 30, 2022. Accrued vacation totaled \$83,712 at June 30, 2022.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

In accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Entities*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials and equipment are reflected in the accompanying statements at their estimated value at date of receipt.

A number of volunteers periodically donate significant amounts of time to the Organization. No amounts have been reflected in the statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

Accounting for Income Taxes

The Organization has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Organization, management believes that its income tax filing positions and deductions are well documented and supported.

As of June 30, 2022, the Organization had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June 30, 2022, the Organization had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2022, the periods that remain open to examination under federal statute are for the fiscal years ended June 30, 2019 through 2021.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of 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, including certain types of assets, liabilities, revenues and expenses, as well as disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from those estimated. The nature of these estimates, however, is such that variances from actual results are held to be immaterial.

Functional Expense Allocation

The costs of providing the Organization’s programs and other activities have been summarized on a functional basis in the statement of activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. The Organization’s expenses are classified in the following functions:

Residential care – Provides residential rehabilitation services ranging from group homes to supervised independent living apartment properties. The homes are separated into various physical needs categories, e.g., a non-ambulatory home, a senior home, behavioral focus homes, and so on. Also, provides support and services to individuals residing in rental or subsidized mortgaged properties. This program also assists individuals in the procurement of such properties.

Adult day services – Provides day program services, such as the development of basic work skills, community interaction skills development, community inclusion activities, and various other physical therapy, and socialization or behavioral programs.

Employment services – Including the Ark Products program, it tracks the performance activity of the sheltered workshop program, such as the billing related to negotiated work contracts, and the payroll processing for the individuals involved in the completion of the work contracts.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|---------------------------|-----------------------------|
| Salaries, wages and taxes | Time and effort |
| Consumer costs | Direct or time and effort |
| Contract labor | Time and effort |
| Education and training | Time and effort |
| Employee costs | Time and effort |
| Equipment and supplies | Square footage |
| Insurance | Direct or square footage |
| Licenses and fees | Direct or square footage |
| Miscellaneous | Direct of square footage |
| Office | Square Footage |
| Professional fees | Direct or time and effort |
| Repairs and maintenance | Direct or square footage |
| Telephone | Square footage |
| Utilities | Square Footage |
| Depreciation | Square Footage |

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization's Board of Directors and its officers serve without compensation. The value of these services is not recorded in the financial statements.

Reclassifications

Certain accounts in the prior-year financial statements may have been reclassified to conform with the presentation in the current year financial statements. These recategorized expenses did not affect reported financial position, results of operations, or cash flows.

NOTE 3 INVESTMENTS

Investments are stated at fair value which was determined by reference to quoted market prices for similar investments, yield curves and other relevant information. The value assigned to investments received by gift is the fair value at the date of donation. The investments all qualify as level one investments within the fair value hierarchy. The cost basis and fair value of investments are as follows as of June 30, 2022.

| | <u>Cost</u> | <u>Fair Value</u> | <u>Cumulative Unrealized Gain</u> |
|-------------------------|---------------------|---------------------|---------------------------------------|
| Certificates of deposit | \$ 385,355 | \$ 385,355 | \$ - |
| Fixed income | 336,365 | 311,028 | (25,337) |
| Equities | 494,561 | 423,005 | (71,556) |
| Total | <u>\$ 1,216,281</u> | <u>\$ 1,119,388</u> | <u>\$ (96,893)</u> |

As of June 30, 2022, the Organization holds seven (7) certificates of deposit ("CDs"), bearing interest ranging approximately from 0.05% to 1.00% and maturity dates ranging approximately from July 24, 2022 to January 19, 2025.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2022:

| | |
|-----------------------------------|---------------------|
| Land | \$ 275,086 |
| Buildings and improvements | 3,496,059 |
| Furniture, fixtures and equipment | 203,287 |
| Vehicles | <u>518,837</u> |
| Total property and equipment | 4,493,269 |
| Less, accumulated depreciation | <u>(2,595,770)</u> |
| Property and equipment, net | <u>\$ 1,897,499</u> |

NOTE 5 LIQUIDITY OF FINANCIAL ASSETS

The Organization is substantially supported by unrestricted and restricted funding. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LIQUIDITY OF FINANCIAL ASSETS (Continued)

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date:

| | |
|--|--------------|
| Financial Assets | |
| Cash and cash equivalents | \$ 2,622,054 |
| Investments | 1,119,388 |
| Accounts receivable, net | 260,216 |
| Financial assets, at year end | 4,001,658 |
| Less, those unavailable for general expenditures within one year, due to: | |
| Contractual or donor imposed restrictions: | - |
| Total restrictions of assets | - |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 4,001,658 |

NOTE 6 RETIREMENT PLAN

The Organization maintains a Section 403(b) defined contribution retirement plan for all regular full-time employees and regular part-time employees who have completed one year of service. The plan requires the Organization to make matching contributions of up to 5% of compensation for those employees making salary deferrals. The Organization's matching contribution is calculated on base earnings, exclusive of pay for overtime or bonuses. For the year ended June 30, 2022, the amount of the Organization's contribution was \$33,044.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with high quality financial institutions. Accounts at these institutions currently are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, such balances may be in excess of FDIC insurance limits. As of June 30, 2022, the Organization's uninsured cash balances totaled approximately \$1,664,718.

NOTE 8 OTHER CONCENTRATIONS OF RISK

During the year ended June 30, 2022, the Organization received approximately 73% of its support through government funding. Consequently, changes in government funding levels in future periods have the potential to significantly impact the financial position and operations of the Organization.

NOTE 9 OPERATING LEASES

The Organization leases certain office equipment under a non-cancelable agreement, which will expire in August 2025, and requires a minimum monthly payment of approximately \$1,100. Rent expense was approximately \$17,060 for the fiscal year ended June 30, 2022 and is included in repairs and maintenance equipment rental on the statement of functional expenses. Future minimum lease payments required under the lease were as follows at June 30, 2022:

| <u>Year Ending June 30.</u> | <u>Amount Due</u> |
|-----------------------------|-------------------|
| 2023 | \$ 13,200 |
| 2024 | 13,200 |
| 2025 | 2,200 |
| Total | \$ 28,600 |

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 COMMITMENTS AND CONTINGENCIES

Disputes and Litigation

In normal course of business, the Organization could be party to various matters involving disputes and/or litigation. While it is not possible at this time to determine the ultimate outcome of any such matters, management believes that any ultimate liability will not be material to the financial statements.

In 2019, the Organization was involved in an employment related legal dispute. The lawsuit was settled in August 2020 for \$16,000. This balance was reflected as a settlement expense on the statement of functional expenses and in accounts payable and accrued expenses on the statement of financial position as of June 30, 2020. During the year ended June 30, 2022, the Organization is recovered \$11,522 from its insurance carrier related to this case. This amount is included in other fees and income on the statement of activities.

In the year ended June 30, 2022, the Organization became involved in a separate employment related legal dispute. While the case has not settled as of the date of this report, management considers the likelihood of any adverse decision having a financial impact to the Organization to be remote. As such, no accrual has been made to the current year financial statements as it pertains to this case.

Grant and Contract Revenue and Support

Federal, State and County funded programs are subject to special audits and monitoring reviews. Such audits and monitoring reviews could result in claims against the resources of the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits and monitoring reviews since the amounts, if any, cannot be determined at this date.

NOTE 11 NET ASSETS WITHOUT DONOR RESTRICTIONS

At June 30, 2022, the Organization's net assets without donor restrictions were \$4,742,000 This amount is subject to the Organizations spending policy and appropriation.

NOTE 12 RELATED PARTY TRANSACTIONS

The employment expenses of the Executive Director, Fiscal Director and the Operating Manager are allocated between the Organization, The Association for Residential Care of Putnam County, Inc. and Progressive Housing of Putnam County, Inc. These organizations are related through common Board members and common management.

The Organization operates the group homes which are owned by Progressive Housing of Putnam County, Inc. In the year ended June 30, 2022, the Organization received \$32,664 from Progressive Housing of Putnam County, Inc. for housekeeping and maintenance services. This amount is included in other fees and income on the statement of activities. There are no amounts owed to the Organization from Progressive Housing of Putnam County, Inc. as of June 30, 2022.

The Organization operates the group homes which are owned by Association for Residential Care of Putnam County, Inc. In the year ended June 30, 2022, the Organization received \$16,443 from The Association for Residential Care of Putnam County, Inc. for housekeeping and maintenance services. This amount is included in other fees and income on the statement of activities. There are no amounts owed to the Organization from Association for Residential Care of Putnam County Inc. as of June 30, 2022.

The Organization provides administrative and operating support to The Association for Residential Care of Putnam County, Inc. and Progressive Housing of Putnam County, Inc. If the organizations were autonomous, the results of their operations and their financial positions could vary.

THE ARC OF PUTNAM COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 CORONAVIRUS (COVID-19)

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The spread of this virus caused some business disruption to the Organization due to temporary stay-at-home orders issued by the State of Florida. The impact of COVID-19 to the Organization during the year ended June 30, 2022 is fully reflected in these financial statements. Subsequent to the statement of financial position date, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the length of the stay-at-home orders, all of which are highly uncertain and cannot be predicted at this time.

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 10, 2023. The impact of Coronavirus (COVID-19) to the Organization is discussed in Note 13. No other events were identified as necessary to be disclosed to keep these financial statements from being misleading or that provide additional evidence about conditions that existed at June 30, 2022, including estimates inherent in the process of preparing these financial statements.

ABARE, KRESGE & ASSOCIATES CPAs, LLC

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The Arc of Putnam County, Inc.
Palatka, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Putnam County, Inc. (the "Council", a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Abare, Kresge & Associates CPAs, LLC

St. Augustine, Florida
March 10, 2023