The Arc Baltimore, Inc.

Financial Report
June 30, 2017

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Arc Baltimore, Inc.
Baltimore, Maryland

Report on the Financial Statements
We have audited the accompanying financial statements of The Arc Baltimore, Inc. (Arc), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arc as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Baltimore, Maryland
November 28, 2017

The Arc Baltimore, Inc.

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 2,223,509	$ 3,231,328
Accounts receivable, net	2,472,955	1,963,628
Receivables from government agencies (Note 10)	1,260,056	822,749
Other receivables	41,901	30,486
Residents' funds (Note 1)	625,355	487,512
Other current assets	412,957	265,559
Property and equipment, net (Notes 2, 4 and 6)	9,979,022	10,825,013
Security deposits	70,683	71,431
Certificate of deposit (Note 9)	641,561	440,897
Escrow funds (Notes 6 and 7)	435,103	435,103
Board-designated investments (Notes 5 and 12)	3,036,326	2,676,376
Total assets	$ 21,199,428	$ 21,250,082
Liabilities and Net Assets		
Accounts payable and accrued expenses (Notes 3 and 6)	$ 3,788,336	$ 3,896,236
Deferred revenue	181,694	173,152
Residents' funds payable (Note 1)	625,355	487,512
Long term debt, net of issuance costs (Notes 4 and 6)	6,614,087	7,182,158
Pension liability (Note 3)	2,776,301	2,933,296
Interest rate swap liability (Notes 6 and 12)	10,643	14,709
Total liabilities	13,996,416	14,687,063
Commitments and contingencies (Notes 3, 4, 8 and 9)		
Net assets:		
Unrestricted:		
Operating	3,380,170	3,180,863
Board-designated for investment (Note 5)	2,982,080	2,693,683
Capital reserves (Note 1)	150,000	150,000
Total unrestricted	6,512,250	6,024,546
Temporarily restricted (Note 11)	690,762	538,473
Total net assets	7,203,012	6,563,019
Total liabilities and net assets	$ 21,199,428	$ 21,250,082

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for June 30, 2016)

	2017			
	Unrestricted	**Temporarily Restricted**	**Total**	2016 Total
Support and revenue:				
Government agencies	**$ 37,022,360**	**$ -**	**$ 37,022,360**	$ 35,967,943
Contracts and other revenue	**11,548,507**	**-**	**11,548,507**	11,460,256
Public support, direct	**534,482**	**205,000**	**739,482**	719,221
Public support, indirect	**63,094**	**-**	**63,094**	59,587
Net assets released from restrictions	**52,711**	**(52,711)**	**-**	-
Total support and revenue	**49,221,154**	**152,289**	**49,373,443**	48,207,007
Expenses (Notes 2, 3, 4 and 6):				
Program services:				
Employment and Day	**23,635,536**	**-**	**23,635,536**	23,273,439
Community Living	**17,443,593**	**-**	**17,443,593**	17,523,113
Family and Children	**2,960,372**	**-**	**2,960,372**	3,068,928
Supporting services:				
Management and general	**4,838,049**	**-**	**4,838,049**	4,718,626
Fundraising	**234,963**	**-**	**234,963**	216,513
Total expenses	**49,112,513**	**-**	**49,112,513**	48,800,619
Change in net assets from operating activities	**108,641**	**152,289**	**260,930**	(593,612)
Nonoperating activities:				
Endowment contributions	**29,055**	**-**	**29,055**	489,117
Investment (loss) income, net (Note 5)	**337,261**	**-**	**337,261**	(68,251)
Loss on sale and disposal of fixed assets	**-**	**-**	**-**	(49,977)
Pension related changes other than net periodic pension costs (Note 3)	**8,681**	**-**	**8,681**	(963,232)
Unrealized gain on interest rate swap agreement (Note 6)	**4,066**	**-**	**4,066**	26,562
Change in net assets	**487,704**	**152,289**	**639,993**	(1,159,393)
Net assets at beginning of year	**6,024,546**	**538,473**	**6,563,019**	7,722,412
Net assets at end of year	**$ 6,512,250**	**$ 690,762**	**$ 7,203,012**	$ 6,563,019

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government agencies	$ 35,967,943	$ -	$ 35,967,943
Contracts and other revenue	11,460,256	-	11,460,256
Public support, direct	559,221	160,000	719,221
Public support, indirect	59,587	-	59,587
Total support and revenue	48,047,007	160,000	48,207,007
Expenses (Notes 2, 3, 4 and 6):			
Program services:			
Employment and Day	23,273,439	-	23,273,439
Community Living	17,523,113	-	17,523,113
Family and Children	3,068,928	-	3,068,928
Supporting services:			
Management and general	4,718,626	-	4,718,626
Fundraising	216,513	-	216,513
Total expenses	48,800,619	-	48,800,619
Change in net assets from operating activities	(753,612)	160,000	(593,612)
Nonoperating activities:			
Endowment contributions	489,117	-	489,117
Investment income, net (Note 5)	(68,251)	-	(68,251)
Loss on sale of fixed assets	(49,977)	-	(49,977)
Pension related changes other than net periodic pension costs (Note 3)	(963,232)	-	(963,232)
Unrealized gain on interest rate swap agreement (Note 6)	26,562	-	26,562
Change in net assets	(1,319,393)	160,000	(1,159,393)
Net assets at beginning of year	7,343,939	378,473	7,722,412
Net assets at end of year	$ 6,024,546	$ 538,473	$ 6,563,019

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Staff salaries	$ 23,914,437	$ 2,102,644	$ 135,428	$ 26,152,509
Client salaries	3,699,409	90,646	-	3,790,055
Fringe benefits	5,765,103	514,125	32,719	6,311,947
Supplies, equipment and materials	1,440,889	267,798	4,994	1,713,681
Contract services	1,149,644	761,299	38,784	1,949,727
Assistance to individuals	1,502,570	9,428	-	1,511,998
Depreciation and amortization	1,246,758	306,621	-	1,553,379
Transportation of clients	607,117	594	-	607,711
Food	904,032	1,157	-	905,189
Dues, memberships and licenses	19,460	134,593	575	154,628
Interest	259,503	64,993	-	324,496
Insurance	537,051	87,045	-	624,096
Utilities and telephone	819,145	136,142	495	955,782
Rent and lease expense	1,146,701	143,601	21	1,290,323
Repairs and maintenance	558,373	76,498	230	635,101
Training and travel	427,734	121,951	2,657	552,342
Miscellaneous	41,575	18,914	19,060	79,549
Total functional expenses	$ 44,039,501	$ 4,838,049	$ 234,963	$ 49,112,513

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Staff salaries	$ 23,524,399	$ 2,105,314	$ 130,324	$ 25,760,037
Client salaries	3,715,556	85,410	-	3,800,966
Fringe benefits	5,556,580	505,790	31,043	6,093,413
Supplies, equipment and materials	1,524,768	237,584	3,704	1,766,056
Contract services	1,132,199	654,574	23,022	1,809,795
Assistance to individuals	1,654,427	18,231	-	1,672,658
Depreciation and amortization	1,203,801	285,039	-	1,488,840
Transportation of clients	736,400	1,455	-	737,855
Food	903,507	924	-	904,431
Dues, memberships and licenses	24,198	124,190	797	149,185
Interest	262,766	68,062	-	330,828
Insurance	509,856	87,054	-	596,910
Utilities and telephone	817,452	129,873	485	947,810
Rent and lease expense	1,148,977	148,807	-	1,297,784
Repairs and maintenance	629,456	94,975	327	724,758
Training and travel	488,817	153,024	2,970	644,811
Miscellaneous	32,321	18,320	23,841	74,482
Total functional expenses	$ 43,865,480	$ 4,718,626	$ 216,513	$ 48,800,619

See notes to financial statements.

The Arc Baltimore, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ 639,993**	$ (1,159,393)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,553,379**	1,488,840
Decrease in allowance for doubtful accounts	**(227)**	(5,967)
Net realized and unrealized (gain) loss on investments	**(279,847)**	113,907
Unrealized gain on interest rate swap agreement	**(4,066)**	(26,562)
Gain on sale and disposal of fixed assets	**(22,185)**	(35,189)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	**(509,100)**	(195,402)
Receivables from governmental agencies	**(437,307)**	423,310
Other receivables	**(11,415)**	(12,133)
Other current assets	**(147,398)**	(4,613)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(107,900)**	356,594
Deferred revenue	**8,542**	(19,234)
Pension liability	**(156,995)**	948,583
Net cash provided by operating activities	**525,474**	1,872,741
Cash flows from investing activities:		
Acquisition of property and equipment	**(343,379)**	(491,416)
Purchase of investments	**(158,022)**	(660,947)
Proceeds from sale of investments	**77,919**	57,267
Proceeds from the sale of fixed assets	**22,185**	197,617
Decrease (increase) in security deposit	**748**	(6,605)
Increase in certificates of deposit	**(200,664)**	(946)
Net cash used in investing activities	**(601,213)**	(905,030)
Cash flows from financing activities:		
Principal payments on long-term debt	**(932,080)**	(807,656)
Proceeds from long-term debt	**-**	165,392
Net cash used in financing activities	**(932,080)**	(642,264)
Net (decrease) increase in cash and cash equivalents	**(1,007,819)**	325,447
Cash and cash equivalents:		
Beginning of year	**3,231,328**	2,905,881
End of year	**$ 2,223,509**	$ 3,231,328

(Continued)

The Arc Baltimore, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

		2017		2016
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**324,307**	$	331,675
Supplemental schedule of noncash investing and financing activities:				
Vehicles and equipment acquired through notes payable	**$**	**343,909**	$	1,014,461

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Arc Baltimore, Inc. (Arc) organizes and operates programs that provide residential, vocational, employment and other social services to individuals with developmental disabilities and their families.

Arc's Employment and Day Program provides on-site job coaching, training and ongoing support to supported workers with jobs at Baltimore companies. These employees are both independently placed, as well as working in supervised crews, working in areas such as janitorial and landscape, hotel housekeeping and other assembling or packing projects. In addition, the five day/employment centers provide people an opportunity for growth through a combination of work, volunteer and leisure opportunities within their respective communities.

Arc's Community Living Program enables adults to live in homes and communities of their own choosing through a continuum of community-based services that maximizes growth and independence. The individuals are contributing and engaged members of their neighborhood.

Arc's Family and Children Program supports children, adults and their families through treatment foster care, respite care, in-home family supports and training, parent training programs, seminars and support groups, recreational and summer camp opportunities, special education advocacy and an information and referral hotline.

For the years ended June 30, 2017 and 2016, approximately 74% and 73%, respectively, of Arc's revenue was received from the State of Maryland.

A summary of Arc's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Not-for-Profit Entities topic of the Accounting Standards Codification (Codification). Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets: Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Capital reserves: Arc has designated funds for future long-term capital investment projects.

Temporarily restricted net assets: Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Arc pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets: Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by Arc's actions. As of June 30, 2017 and 2016, Arc had no permanently restricted net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Credit risk: Arc has funds on deposit with a financial institution in excess of federally insured amounts. Arc has not experienced any losses on cash accounts, and management believes it is not exposed to significant credit risk on cash.

Cash and cash equivalents: Arc considers money market funds and certificates of deposit, which are highly liquid and mature within three months, to be cash equivalents.

Escrow deposits: Escrow deposits, included in cash and cash equivalents, represent deposits for taxes, insurance and repairs. The balance in the account at June 30, 2017 and 2016, is $143,852 and $145,668, respectively.

Investments in marketable securities: Investments with a readily determinable fair market value are reported at fair market value in the statements of financial position. Gains and losses on investments are reported in the statements of activities as part of investment (loss) income (see Note 5).

Arc invests in a professionally managed portfolio that contains mutual funds, money market funds and common stock. Such investments are exposed to various risks such as interest rate, market and credit risk. 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 at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Board-designated investments: Board-designated investments consist of a separate investment account which is composed of unrestricted gifts designated by the Board of Directors to be held for long-term investment, as well as an investment account to hold funds designated for use in a deferred compensation plan.

Residents' funds: Arc acts in an agency capacity regarding the holding of residents' cash funds.

Accounts receivable: Accounts receivable consist of amounts due to Arc from agencies and companies related to Arc's programs providing services to developmentally disabled consumers.

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual accounts receivable and considering a customer's financial condition, credit history and current economic conditions. The allowance for doubtful accounts was $16,542 and $16,769 at June 30, 2017 and 2016, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment and depreciation: Property and equipment purchased by Arc is recorded at cost. Donated property and equipment is recorded at its fair value at the date of the gift. Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method as follows:

	Estimated Useful Lives
Buildings and improvements	15-25 years
Leasehold improvements	Shorter of lease term or 1-4 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5 years

Land and buildings purchased with state funds are owned by Arc, subject to the provision that if the property is transferred within 20 years following the purchase, a pro rata share of the state funds must be returned to the granting state agency. It is the intent of management to hold the properties for at least 20 years. Gains on the sale and disposal of property and equipment in the amount of $22,185 and $85,166 are included within contracts and other revenue on the statement of activities for the years ended June 30, 2017 and June 30, 2016, respectively.

Valuation of long-lived assets: Arc reviews the carrying value of long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Debt issuance costs: In November 2010, the bond was refinanced, and the new debt issue costs are being amortized over the life of the debt (20 years). Amortization expense was $20,100 for each of the years ended June 30, 2017 and 2016. Accumulated amortization was $136,018 and $115,918 at June 30, 2017 and 2016, respectively.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and current maturities of long-term debt approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates on these instruments fluctuate with market interest rates offered to Arc for debt with similar terms and maturities. Investments and interest rate swaps are valued at fair value.

Interest rate swap: Arc's interest rate swap contract is considered to be an economic hedge against changes in the amount of future cash flows associated with Arc's interest payments under variable rate debt obligations. Accordingly, the interest rate swap contract is reflected at fair value in Arc's statements of financial position, and the related gain on the contract is recognized in the statements of activities. The effect of this accounting on Arc's operating results is that interest expense on the portion of variable rate debt being hedged is generally recorded based on fixed interest rates.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition: Arc's revenue is primarily derived from conditional grants and third-party reimbursements from various state and local government agencies and from services subcontracted to customers on a fee-for-service basis.

State and local grants are deemed to be earned and reported as revenue when Arc has incurred expenditures in compliance with the specific grant restrictions. Grant expenditures made, pending reimbursement, are recorded as accounts receivable. Grant funds received, but not spent, are recorded as deferred revenue. State and local grant amounts not expended in accordance with specific grant restrictions prior to the expiration of the grant period are refundable and recorded as a payable.

Revenue from subcontract fees is recognized when the service is performed.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. Upon the expiration of a restriction, temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities.

Allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Arc.

Income taxes: Arc is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, Arc qualifies for charitable contributions deductions under Section 170(c)(2)(B) and has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of IRS §509(a). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no unrelated business income for 2017 and 2016.

Arc has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, Arc may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management evaluated Arc's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

Generally, Arc is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for years before June 30, 2014.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Pending accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under generally accepted accounting principles in the United States (U.S. GAAP). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation.

ASU 2014-09 will be effective for annual reporting periods beginning after June 30, 2019, using either of two methods: *(a)* retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or *(b)* retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. Arc has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees will be required to recognize the following for all long-term leases: (1) a lease liability, which is the lessee’s obligation to make lease payments measured on a discounted basis, and (2) a right-of-use asset, which represents the lessee’s right to use (or control use of) a specified asset for the lease term. The standard will be effective for the fiscal year beginning July 1, 2020. Arc is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after June 30, 2018. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The ASU will be effective for fiscal years beginning after June 30, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. Arc is currently evaluating the impact of the adoption of this guidance on its financial statements.

Reclassifications: Certain 2016 amounts have been reclassified to conform to the 2017 presentation. These reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent events: Subsequent events have been evaluated through November 28, 2017, which is the date the financial statements were available to be issued.

Note 2. Property and Equipment

The following is a summary of land, buildings and equipment at June 30, 2017 and 2016:

	2017	2016
Land	$ 2,163,394	$ 2,163,394
Buildings and improvements	19,348,073	19,144,885
Furniture, fixtures and vehicles	11,944,695	11,438,654
Leasehold improvements	280,221	280,221
Construction in progress	9,909	40,157
	33,746,292	33,067,311
Accumulated depreciation	(23,767,270)	(22,242,298)
	$ 9,979,022	$ 10,825,013

Depreciation expense was $1,533,279 and $1,468,740 for 2017 and 2016, respectively.

Note 3. Pension Plans

Defined contribution plan: Arc participates in a contributory 403(b) Plan whereby all employees who have completed 90 days of service are eligible to make employee contributions, and employees with one year of service are eligible to receive employer contributions. Eligible employees may elect to make pre-tax contributions to the 403(b) Plan subject to the annual maximum amount allowed by the IRC. Arc makes an initial contribution of 2% to 5% of compensation to all eligible employees based on the years of service for each employee. In addition, Arc will match employee contributions as follows:

a) 100% of the first 1% of employee contributions

b) 50% of any employee contribution greater than 1% with a total match not to exceed 3% of an employee’s compensation during any 403(b) plan year

Total expense under the 403(b) plan for the years ended June 30, 2017 and 2016, was $700,901 and $673,012, respectively.

Noncontributory defined benefit plan: Arc maintains a noncontributory defined benefit pension plan (the Pension Plan) for the benefit of substantially all employees that were employed when the Pension Plan was frozen in 2003 as to participation, benefit service and accrued benefits. Arc’s noncontributory defined benefit pension expense was $292,636 and $213,128 for the years ended June 30, 2017 and 2016, respectively. Pension related changes other than net periodic pension benefits were $8,681 and $(963,232) for the years ended June 30, 2017 and 2016, respectively.

Under the provisions of the Pension Plan, Arc makes contributions as required to maintain the Pension Plan on a sound actuarial basis. Arc’s policy is to make annual contributions as determined through actuarial valuation. The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future, which has historically not changed.

Note 3. Pension Plans (Continued)

The funded status and amounts recognized on the accompanying statements of financial position relating to the Pension Plan, as of the measurement dates, are as follows:

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 6,980,020	$ 6,175,796
Actuarial loss	264,425	647,512
Interest cost	243,567	262,155
Benefits paid	(377,435)	(105,443)
Benefit obligation at end of year	7,110,577	6,980,020
Change in plan assets:		
Fair value of plan assets at beginning of year	4,046,724	4,191,083
Actual return on plan assets	224,036	(266,732)
Benefits paid	(377,435)	(105,443)
Employer contributions	440,951	227,816
Fair value of plan assets at end of year	4,334,276	4,046,724
Pension liability (funded status)	$ (2,776,301)	$ (2,933,296)
Components of net periodic benefit cost:		
Interest cost	$ 243,567	$ 262,115
Expected return on plan assets	(287,074)	(283,282)
Net amortization and deferral	336,143	234,295
Settlement cost	181,283	-
Net periodic benefit cost	$ 473,919	$ 213,128
Components of pension related changes other than net periodic benefit cost:		
Change in unrecognized net actuarial loss	$ 8,681	$ (963,232)

Amortization to be realized into net periodic benefit costs is expected to be $383,816 of the $3,664,447 net actuarial loss, during the year ending June 30, 2018. Amortization to be realized into net periodic benefit costs is expected to be $329,579 of the $3,854,411 net actuarial loss, during the year ending June 30, 2017.

Note 3. Pension Plans (Continued)

Assumptions: Weighted average assumptions used to determine net periodic pension cost and benefit obligations are as follows:

	2017	2016
Discount rate – periodic pension cost	4.04%	4.44%
Discount rate – benefit obligation	3.50%	3.50%
Discount rate – settlement cost	4.04%	4.44%
Average increase in future compensation levels	N/A	N/A
Expected long-term rate of return on assets	7.00%	7.00%

Arc determines the expected long-term rate of return on Pension Plan assets by taking into consideration the historical returns of various asset classes and the types of investments the Pension Plan is expected to hold. The chart below details ranges for the expected long-term returns for the asset classes in which the Pension Plan currently invests:

Asset Class	Range of Expected Returns
Equities	7.5%-10.0%
Fixed income	2.2%-5.6%
Cash	2.5%

Plan assets: The Pension Plan's weighted-average asset allocations at June 30, 2017 and 2016, by asset category are as follows:

	2017	2016
Equities	70%	66%
Fixed income	28%	30%
Cash	2%	4%

Note 3. Pension Plans (Continued)

Assets of the Pension Plan are invested in a manner consistent with fiduciary standards of the Employee Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present and (b) all transactions undertaken on behalf of the Pension Plan must be for the sole interest of plan participants and beneficiaries to provide benefits in a prudent manner. Investment objectives of the Pension Plan also include:

- Preserve the value of the Plan's assets
- Provide sufficient liquidity to plan benefit payment outflows and meet the Plan's requirements

Contributions: Arc contributed $440,951 and $227,816 to the Pension Plan during the years ended June 30, 2017 and 2016, respectively.

The expected employer contribution for the year ending June 30, 2018 is $376,964.

Estimated future benefit payments: The following benefit payments are expected to be paid:

Years ending June 30:		
2018	$	704,488
2019		371,171
2020		361,163
2021		354,500
2022		324,492
2023-2027		1,867,814
	$	3,983,628

Note 4. Commitments and Contingencies

Operating leases: Arc leases a portion of its facilities, automobiles and equipment which are treated as operating leases for financial reporting purposes. Facility lease terms generally expire through February 2020 with options to renew for additional periods. Under the terms of the facility leases, Arc is responsible for the payment of real estate taxes and other operating expenses. Additionally, Arc leases certain automobiles and equipment with minimum lease terms of one year with options to renew. At June 30, 2017, Arc is liable under terms of non-cancelable leases for the following minimum annual lease payments:

Years ending June 30:		
2018	$	481,782
2019		159,851
2020		71,393
	$	713,026

Rent expense charged to operations amounted to $1,019,348 and $1,023,557 for facilities and $270,975 and $274,227 for equipment and automobiles for the years ended June 30, 2017 and 2016, respectively.

Note 4. Commitments and Contingencies (Continued)

Capital leases: Arc is obligated under various capital leases for office and landscape equipment, which expire through 2021. The following is a schedule of future minimum payments required under the lease, together with their present value as of June 30, 2017:

Years ending June 30:		
2018	$	67,707
2019		88,308
2020		47,981
2021		48,189
Total minimum lease payments		252,185
Less amount representing interest (at imputed rates ranging from 6% to 7%)		(36,481)
Present value of minimum lease payments	$	215,704

Amortization of assets held under capital leases is included with depreciation expense (see Note 6 for maturity schedule of capital lease obligations).

The following is an analysis at June 30, 2017 and 2016, of the equipment acquired under capital leases, which is included in property and equipment on the statements of financial position:

		2017		2016
Cost	$	3,219,535	$	3,219,535
Less accumulated depreciation		(3,048,114)		(2,982,936)
	$	171,421	$	236,599

Litigation: Arc has certain pending legal proceedings that generally involve employment and consumer issues. These proceedings are, in the opinion of management, ordinary routine matters incidental to the normal business conducted by Arc. In the opinion of management, such proceedings are substantially covered by insurance, and the ultimate disposition of such proceedings is not expected to have a material adverse effect on Arc's financial position, activities or cash flows.

Note 5. Board-Designated Net Assets

Board-designated cash and investments as of June 30, 2017 and 2016, consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash due to/(from) Endowment	$ (54,246)	$ (54,246)	$ 17,307	$ 17,307
Money market funds	59,261	59,261	45,233	45,233
Mutual funds	1,855,419	1,991,510	1,647,162	1,674,819
Common stock	795,806	985,555	920,801	956,324
	2,710,486	3,036,326	2,613,196	2,676,376
	$ 2,656,240	$ 2,982,080	$ 2,630,503	$ 2,693,683

Codification Topic 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Topic 958 also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Arc is governed subject to its governing documents. The Board of Directors has determined that the majority of Arc's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with Arc.

Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of the endowment investments as the Board of Directors, in its sole discretion, shall determine. As a result of the ability to distribute corpus, all endowment contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes. The endowment account contains no contributions that are classified as either temporarily restricted or permanently restricted.

Endowment investment and spending policies: Endowment funds are invested to produce maximum total return consistent with prudent risk limits. The Executive Committee of the Board of Directors will be the oversight committee for the uses of the endowment fund.

Endowment net assets are included in unrestricted net assets. Changes in endowment net assets are as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Endowment net assets, beginning of year	$ 2,693,683	$ 2,320,014
Contributions	29,055	499,188
Unrealized gain (loss)	253,316	(145,774)
Realized gain	26,531	31,867
Investment income, net of fees	57,414	45,655
Endowment distribution	(77,919)	(57,267)
Endowment net assets, end of year	$ 2,982,080	$ 2,693,683

Note 6. Long-Term Obligations

Long-term obligations consisted of the following at June 30, 2017 and 2016:

	2017	2016
Bank loan	$ 4,400,000	$ 4,640,000
Various mortgages payable, collateralized by deeds of trust on the respective properties; interest at rates ranging between 2% and 6.5%, payable monthly with various maturity dates through March 2034	1,128,143	1,189,593
Capital lease obligations (see Note 4)	215,704	264,180
Various notes payable, collateralized by vehicles; interest at rates ranging between 0% and 4.69%; payable monthly with various maturity dates through June 2022	1,131,517	1,369,762
Subtotal	6,875,364	7,463,535
Less debt issuance costs, net of amortization	(261,277)	(281,377)
Total long-term debt	6,614,087	7,182,158
Less current portion	(4,989,209)	(884,081)
	$ 1,624,878	$ 6,298,077

Certain land, buildings and improvements, and automobiles and trucks are pledged as collateral for long-term debt.

Interest expense relating to long-term debt of $324,496 and $330,828 was charged to operations for 2017 and 2016, respectively.

Principal maturities for all long-term obligations as of June 30, 2017 are due in future years as follows:

	Bank Loan	Mortgages Payable	Capital Lease Obligations	Notes Payable	Total
Years ending June 30:					
2018	$ 4,400,000	$ 64,750	$ 51,660	$ 472,799	$ 4,989,209
2019	-	68,238	76,324	360,309	504,871
2020	-	71,789	41,318	232,652	345,759
2021	-	75,719	46,402	64,566	186,687
2022	-	79,943	-	1,191	81,134
Thereafter	-	767,704	-	-	767,704
	$ 4,400,000	$ 1,128,143	$ 215,704	$ 1,131,517	$ 6,875,364

Note 6. Long-Term Obligations (Continued)

Bank loan: Bonds were issued on September 1, 2010. In order to secure a more favorable interest rate, the bonds were refinanced with a bank purchased qualified loan (Bank Loan) on November 17, 2010, in the amount of $5,790,000. The Bank Loan has a variable interest rate based on the one-month London Interbank Offered Rate (LIBOR) plus 205 basis points (2.74% and 2.35%) at June 30, 2017 and 2016, respectively). The additional basis points can increase to as much as 225 basis points depending on the results of the debt service coverage ratio prepared at June 30 and December 31 annually. The Bank Loan is subjected to other nonfinancial covenants that would not have an effect on the interest rate. Principal and interest payments are scheduled based on a 20-year amortization table. The maturity date of the underlying bonds is November 17, 2030. The Lender has the ability to call the Bank Loan on May 17, 2018, or they can grant an extension of the current terms if they receive a written request from Arc 120 days prior to that date. Arc is currently refinancing the Bank Loan and that is expected to be completed early 2018.

Bond issuance costs associated with the Bank Loan equal $397,295 and are being amortized over the life of the transaction. Total accumulated amortization was $136,018 and $115,918 as of June 30, 2017 and 2016, respectively. The issuance costs of $397,295 were netted against notes payable on the statements of financial position at June 30, 2017 and 2016.

Interest rate swap contract: To mitigate the market risk on the Bank Loan, Arc also entered into an interest rate swap agreement through November 1, 2020. In accordance with the interest rate swap contract, Arc pays a fixed rate of interest at 2.18% and receives a variable rate of interest at the one-month LIBOR (1.23% and .468% at June 30, 2017 and 2016, respectively) on the notional amounts of indebtedness of $4,400,000 and $4,640,000 at June 30, 2017 and 2016, respectively. Arc is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swap contract. However, Arc does not anticipate nonperformance by the counterparties. Arc recognized a liability of $10,643 and $14,709 under the swap contract at June 30, 2017 and 2016, respectively, which is included in long-term liabilities on the statements of financial position.

Note 7. Escrow Funds

In connection with the Bank Loan (see Note 6), Arc is required to retain certain loan proceeds in the amount of $435,103 in a separate fund at both June 30, 2017 and 2016.

Note 8. Line of Credit

Arc has a $1,200,000 revolving line of credit which bears interest at the daily one-month LIBOR plus 1.75% at June 30, 2017 (2.97% at June 30, 2017), and matures on June 30, 2018. As of June 30, 2017 and 2016, there is no outstanding balance.

Note 9. Letters of Credit

Arc has available a stand-by letter of credit totaling $419,560 through September 30, 2017, in accordance with an agreement with the State of Maryland. On August 29, 2017, the letter of credit was renewed and extended through August 30, 2019. The letter of credit can be used by the State if Arc fails to pay self-insured unemployment compensation claims. There are no outstanding borrowings at June 30, 2017 and 2016, related to the stand-by letter of credit. The letter of credit was collateralized by a certificate of deposit in the amount of $441,811 and $440,897 as of June 30, 2017 and 2016, respectively.

Note 10. Government Agencies

Revenue is recognized from federal and state grants and reimbursement for services is provided by state agencies based on per diem rates. Subsequent to year end, regulatory reports are submitted and final determinations are made regarding over or underpayments. As of June 30, 2017 and 2016, Arc had accrued a liability of approximately $836,000 and $814,000, respectively, for the potential adjustments.

Receivables from government agencies represent billings, grants and reimbursements (overpayments) associated with various programs.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets were $690,762 and $538,473 at June 30, 2017 and 2016, respectively. Within these net assets, $378,473 is restricted for the purchase of residences as of June 30, 2017 and June 30, 2016. The remaining $312,289 and $160,000 as of June 30, 2017 and June 30, 2016, respectively, are temporarily restricted contributions for the purchase of furnishings, DJ's and dances, and the Healthy Weighs Program.

Note 12. Fair Value Measurements

Arc defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are types of investments included in Level 1.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds and over-the-counter derivatives.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Arc's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by Arc:

Level 1: Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Note 12. Fair Value Measurements (Continued)

Level 2: Arc's interest rate swap is observable at commonly quoted intervals for the full term of the swap and, therefore, is considered a Level 2 item. For the interest rate swaps in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset. A liability must reflect the nonperformance risk of the entity. Therefore, the impact of Arc's creditworthiness has also been factored into the fair value measurement for the interest rate swap in a liability position.

Level 3: Level 3 investments are not readily marketable and include investments in hedge funds.

The following tables present Arc's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	June 30, 2017			
Description – Board Designated Investments	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 155,482	$ 155,482	$ -	$ -
Growth	559,167	559,167	-	-
Fixed income	589,629	589,629	-	-
Other	687,232	687,232	-	-
Total mutual funds	1,991,510	1,991,510	-	-
Common stock	985,555	985,555	-	-
	2,977,065	$ 2,977,065	$ -	$ -
Cash and cash equivalents	59,261			
Total board designated investments	$ 3,036,326			

	June 30, 2017			
Description – Pension Plan Assets	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 505,907	$ 505,907	$ -	$ -
Growth	1,019,555	1,019,555	-	-
Fixed income	1,202,132	1,202,132	-	-
Other	511,941	511,941	-	-
Total mutual funds	3,239,535	3,239,535	-	-
Common stock	994,797	994,797	-	-
	4,234,332	$ 4,234,332	$ -	$ -
Cash and cash equivalents	99,944			
Total pension plan assets	$ 4,334,276			
Total assets	$ 7,370,602			
Interest rate swap	$ (10,643)	$ -	$ (10,643)	$ -

Note 12. Fair Value Measurements (Continued)

Description – Board Designated Investments	June 30, 2016 Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 155,571	$ 155,571	$ -	$ -
Growth	489,938	489,938	-	-
Fixed income	552,023	552,023	-	-
Other	477,287	477,287	-	-
Total mutual funds	1,674,819	1,674,819	-	-
Common stock	956,324	956,324	-	-
	2,631,143	$ 2,631,143	$ -	$ -
Cash and cash equivalents	45,233			
Total board designated investments	$ 2,676,376			

Description – Pension Plan Assets	June 30, 2016 Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 220,950	$ 220,950	$ -	$ -
Growth	887,907	887,907	-	-
Fixed income	1,206,777	1,206,777	-	-
Other	508,439	508,439	-	-
Total mutual funds	2,824,073	2,824,073	-	-
Common stock	1,099,424	1,099,424	-	-
	3,923,497	$ 3,923,497	$ -	$ -
Cash and cash equivalents	123,227			
Total pension plan assets	$ 4,046,724			
Total assets	$ 6,723,100			
Interest rate swap	$ (14,709)	$ -	$ (14,709)	$ -

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
The Arc Baltimore, Inc.
Baltimore, Maryland

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 27 through 31 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information, except for the budget information on page 31 marked "unaudited," has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The budget information on page 31 marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the budget information on page 31 marked "unaudited," the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Baltimore, Maryland
November 28, 2017

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			
	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 16,953,821	$ 17,099,216	$ 2,968,404	$ 37,021,441
Contracts and other revenue	10,131,651	1,239,220	29,608	11,400,479
Public support, direct	298,812	27,489	132,500	458,801
Public support, indirect	-	-	63,049	63,049
Total support and revenue	27,384,284	18,365,925	3,193,561	48,943,770
Expenses:				
Staff salaries	11,441,049	11,238,821	1,234,567	23,914,437
Client salaries	3,666,796	32,398	215	3,699,409
Fringe benefits	3,037,723	2,449,555	277,825	5,765,103
Supplies, equipment and materials	1,222,010	214,109	4,770	1,440,889
Contracted services	1,012,153	57,207	80,284	1,149,644
Assistance to individuals	22,223	267,258	1,213,089	1,502,570
Depreciation	758,953	472,239	15,566	1,246,758
Transportation of clients	596,137	1,036	9,944	607,117
Food	268,053	625,872	10,107	904,032
Dues, memberships and licenses	14,814	1,426	3,220	19,460
Interest	93,034	160,509	5,960	259,503
Insurance	340,696	192,011	4,344	537,051
Utilities and telephone	375,782	427,153	16,210	819,145
Rent and lease expense	286,402	851,350	8,949	1,146,701
Repairs and maintenance	279,571	272,452	6,350	558,373
Training and travel	199,813	166,753	61,168	427,734
Administration and support	2,442,171	1,862,631	304,621	4,609,423
Miscellaneous	20,327	13,444	7,804	41,575
Total expenses	26,077,707	19,306,224	3,264,993	48,648,924
Change in net assets	$ 1,306,577	$ (940,299)	$ (71,432)	$ 294,846

Support and Administration	Totals	2016 Totals
$ 919	$ 37,022,360	$ 35,967,943
148,028	11,548,507	11,460,256
280,681	739,482	719,221
45	63,094	59,587
429,673	49,373,443	48,207,007
2,238,072	26,152,509	25,760,037
90,646	3,790,055	3,800,966
546,844	6,311,947	6,093,413
272,792	1,713,681	1,766,056
800,083	1,949,727	1,809,795
9,428	1,511,998	1,672,658
306,621	1,553,379	1,488,840
594	607,711	737,855
1,157	905,189	904,431
135,168	154,628	149,185
64,993	324,496	330,828
87,045	624,096	596,910
136,637	955,782	947,810
143,622	1,290,323	1,297,784
76,728	635,101	724,758
124,608	552,342	644,811
(4,609,423)	-	-
37,974	79,549	74,482
463,589	49,112,513	48,800,619
$ (33,916)	$ 260,930	$ (593,612)

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2016

	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 16,314,390	$ 16,529,445	$ 3,124,108	$ 35,967,943
Contracts and other revenue	10,121,217	1,194,953	21,431	11,337,601
Public support, direct	330,181	10,000	84,843	425,024
Public support, indirect	-	-	59,587	59,587
	26,765,788	17,734,398	3,289,969	47,790,155
Total support and revenue				
Expenses:				
Staff salaries				
Client salaries	10,995,061	11,294,805	1,234,533	23,524,399
Fringe benefits	3,690,679	24,736	141	3,715,556
Supplies, equipment and materials	2,898,016	2,391,345	267,219	5,556,580
Contracted services	1,250,114	267,033	7,621	1,524,768
Assistance to individuals	954,474	102,480	75,245	1,132,199
Depreciation	58,863	297,126	1,298,438	1,654,427
Transportation of clients	710,181	478,096	15,524	1,203,801
Food	722,916	884	12,600	736,400
Dues, memberships and licenses	297,708	594,553	11,246	903,507
Interest	14,450	1,278	8,470	24,198
Insurance	91,120	165,385	6,261	262,766
Utilities and telephone	321,157	184,263	4,436	509,856
Rent and lease expense	378,840	425,525	13,087	817,452
Repairs and maintenance	327,998	812,428	8,551	1,148,977
Training and travel	318,637	301,714	9,105	629,456
Administration and support	226,880	176,457	85,480	488,817
Miscellaneous	2,351,446	1,835,105	309,103	4,495,654
Total expenses	16,345	5,005	10,971	32,321
	25,624,885	19,358,218	3,378,031	48,361,134
Change in net assets	$ 1,140,903	$ (1,623,820)	$ (88,062)	$ (570,979)

Support and Administration	Totals
$ -	$ 35,967,943
122,655	11,460,256
294,197	719,221
-	59,587
416,852	48,207,007
2,235,638	25,760,037
85,410	3,800,966
536,833	6,093,413
241,288	1,766,056
677,596	1,809,795
18,231	1,672,658
285,039	1,488,840
1,455	737,855
924	904,431
124,987	149,185
68,062	330,828
87,054	596,910
130,358	947,810
148,807	1,297,784
95,302	724,758
155,994	644,811
(4,495,654)	-
42,161	74,482
439,485	48,800,619
$ (22,633)	$ (593,612)

The Arc Baltimore, Inc.

Schedule of Foster Care and Treatment
Foster Care Revenue and Expenses
Year Ended June 30, 2017

	Treatment Foster Care	
	Actual	Budget (Unaudited)
Revenue:		
Fee for service	$ 1,326,676	$ 1,629,300
	1,326,676	1,629,300
Allowable expenses:		
Administrative and support services	121,884	151,800
Assistance	612,594	782,800
Contracted services	318	3,400
Depreciation	10,006	10,800
Dues, memberships and licenses	3,099	7,400
Fringe benefits	102,947	106,500
Insurance	2,784	3,100
Miscellaneous	7,574	12,000
Equipment rental and lease repairs	5,923	5,600
Repairs and maintenance	4,246	6,500
Salary	426,197	459,000
Supply	608	3,100
Travel and transportation	14,641	26,500
Utility	11,842	14,600
Total allowable expenses	1,324,663	1,593,100
Excess of revenue over allowable expenses	2,013	36,200
Pension adjustment	174	-
Interest expense	(3,831)	(4,000)
Excess of revenue over expenses	$ (1,644)	$ 32,200
Child care months	352	
Actual cost of care per month	$ 3,763	
Contracted monthly fees	$ 3,885	Treatment rate
	$ 919	Additional child rate