The Arc Baltimore, Inc.

Financial Report
June 30, 2021

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
The Arc Baltimore, Inc.

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, 2021 and 2020, 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 audits 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 The Arc Baltimore, Inc. as of June 30, 2021 and 2020, 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 17, 2021

The Arc Baltimore, Inc.

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 6,847,534	$ 6,121,212
Cash designated for operating reserves (Note 2)	6,000,000	4,000,000
Accounts receivable, net	2,927,269	2,169,296
Receivables from government agencies	2,208,089	1,704,470
Other receivables	15,280	45,814
Residents' funds (Note 1)	923,956	957,281
Other current assets	304,282	125,919
Total current assets	19,226,410	15,123,992
Property and equipment, net (Notes 3, 5 and 7)	7,790,482	8,957,201
Other assets:		
Security deposits	69,569	70,529
Letter of credit collateral (Note 10)	609,751	609,179
Escrow funds (Notes 7 and 8)	583,071	566,533
Board-designated investments (Notes 6 and 13)	4,629,878	3,651,584
Total other assets	5,892,269	4,897,825
Total assets	$ 32,909,161	$ 28,979,018

See notes to financial statements.

	2021	2020
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses (Note 4)	**$ 5,858,322**	$ 6,564,209
Deferred revenue	**67,660**	82,662
Residents' funds payable (Note 1)	**923,956**	957,281
Current portion of long-term debt (Notes 5 and 7)	**803,691**	792,444
Total current liabilities	**7,653,629**	8,396,596
Long-term liabilities:		
Long-term debt, net of issuance costs (Notes 5 and 7)	**6,250,871**	4,868,673
Pension liability (Note 4)	**122,180**	1,745,028
Total long-term liabilities	**6,373,051**	6,613,701
Total liabilities	**14,026,680**	15,010,297
Commitments and contingencies (Notes 2, 4, 5, 9 and 10)		
Net assets:		
Without donor restrictions:		
Operating	**12,892,058**	9,266,205
Board-designated for investment (Note 6)	**4,629,878**	3,651,584
Capital reserves (Note 1)	**800,000**	450,000
Total net assets without donor restrictions	**18,321,936**	13,367,789
With donor restrictions (Note 12)	**560,545**	600,932
Total net assets	**18,882,481**	13,968,721
Total liabilities and net assets	**$ 32,909,161**	$ 28,979,018

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2021
(With Comparative Totals for June 30, 2020)

	2021			2020
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Total
Support and revenue:				
Government agencies	**$ 35,593,122**	**$ -**	**$ 35,593,122**	$ 34,884,760
Contracts and other revenue	**16,727,231**	**-**	**16,727,231**	14,065,598
Public support, direct	**489,041**	**-**	**489,041**	448,420
Public support, indirect	**55,264**	**-**	**55,264**	50,157
Net assets released from restrictions	**40,387**	**(40,387)**	**-**	-
Total support and revenue	**52,905,045**	**(40,387)**	**52,864,658**	49,448,935
Expenses (Notes 3, 4, 5 and 7):				
Program services:				
Employment and Day	**20,597,340**	**-**	**20,597,340**	21,419,490
Community Living	**20,350,184**	**-**	**20,350,184**	18,523,715
Family and Children	**2,640,055**	**-**	**2,640,055**	2,578,915
Total program services	**43,587,579**	**-**	**43,587,579**	42,522,120
Supporting services:				
Management and general	**4,997,939**	**-**	**4,997,939**	4,649,091
Fundraising	**237,653**	**-**	**237,653**	238,437
Total supporting services	**5,235,592**	**-**	**5,235,592**	4,887,528
Total operating expenses	**48,823,171**	**-**	**48,823,171**	47,409,648
Change in net assets from operating activities	**4,081,874**	**(40,387)**	**4,041,487**	2,039,287
Nonoperating activities:				
Endowment contributions	**25,469**	**-**	**25,469**	17,748
Investment income, net (Note 6)	**963,255**	**-**	**963,255**	111,321
Pension related changes other than service costs (Note 4)	**(116,451)**	**-**	**(116,451)**	(258,662)
Change in net assets	**4,954,147**	**(40,387)**	**4,913,760**	1,909,694
Net assets at beginning of year	**13,367,789**	**600,932**	**13,968,721**	12,059,027
Net assets at end of year	**$ 18,321,936**	**$ 560,545**	**$ 18,882,481**	$ 13,968,721

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government agencies	$ 34,884,760	$ -	$ 34,884,760
Contracts and other revenue	14,065,598	-	14,065,598
Public support, direct	409,920	38,500	448,420
Public support, indirect	50,157	-	50,157
Net assets released from restrictions	101,855	(101,855)	-
Total support and revenue	49,512,290	(63,355)	49,448,935
Expenses (Notes 3, 4, 5 and 7):			
Program services:			
Employment and Day	21,419,490	-	21,419,490
Community Living	18,523,715	-	18,523,715
Family and Children	2,578,915	-	2,578,915
Total program services	42,522,120	-	42,522,120
Supporting services:			
Management and general	4,649,091	-	4,649,091
Fundraising	238,437	-	238,437
Total supporting services	4,887,528	-	4,887,528
Total operating expenses	47,409,648	-	47,409,648
Change in net assets from operating activities	2,102,642	(63,355)	2,039,287
Nonoperating activities:			
Endowment contributions	17,748	-	17,748
Investment income, net (Note 6)	111,321	-	111,321
Pension related changes other than service costs (Note 4)	(258,662)	-	(258,662)
Change in net assets	1,973,049	(63,355)	1,909,694
Net assets at beginning of year	11,394,740	664,287	12,059,027
Net assets at end of year	$ 13,367,789	$ 600,932	$ 13,968,721

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Staff salaries	$ 23,779,639	$ 2,300,571	$ 150,728	$ 2,451,299	$ 26,230,938
Contract services	6,255,480	1,044,008	10,532	1,054,540	7,310,020
Fringe benefits (Note 4)	5,016,299	516,036	33,926	549,962	5,566,261
Assistance to individuals	1,483,436	14,974	-	14,974	1,498,410
Depreciation and amortization (Note 3)	1,083,794	242,441	375	242,816	1,326,610
Client salaries	1,231,698	770	-	770	1,232,468
Rent and lease expense	890,976	99,604	-	99,604	990,580
Supplies, equipment and materials	775,416	104,313	4,867	109,180	884,596
Utilities and telephone	720,997	137,593	544	138,137	859,134
Food	615,568	-	-	-	615,568
Repairs and maintenance	516,568	74,063	-	74,063	590,631
Insurance	509,683	68,613	741	69,354	579,037
Miscellaneous	355,978	124,101	34,770	158,871	514,849
Interest (Note 7)	195,364	90,060	-	90,060	285,424
Training and travel	137,212	54,779	416	55,195	192,407
Dues, memberships and licenses	18,829	125,647	754	126,401	145,230
Transportation of clients	642	366	-	366	1,008
Total functional expenses	$ 43,587,579	$ 4,997,939	$ 237,653	$ 5,235,592	$ 48,823,171

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services: Management and and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Staff salaries	$ 23,953,672	$ 2,148,996	$ 157,997	$ 2,306,993	$ 26,260,665
Fringe benefits (Note 4)	5,566,407	508,707	37,470	546,177	6,112,584
Contract services	2,634,513	823,158	31,340	854,498	3,489,011
Client salaries	2,652,947	9,105	-	9,105	2,662,052
Depreciation and amortization (Note 3)	1,213,364	259,771	375	260,146	1,473,510
Supplies, equipment and materials	1,089,998	150,443	5,740	156,183	1,246,181
Assistance to individuals	1,227,571	4,626	-	4,626	1,232,197
Rent and lease expense	1,066,847	76,222	-	76,222	1,143,069
Utilities and telephone	735,004	143,458	656	144,114	879,118
Food	695,333	2,158	-	2,158	697,491
Insurance	571,319	63,836	699	64,535	635,854
Repairs and maintenance	506,893	113,858	-	113,858	620,751
Training and travel	244,493	132,427	970	133,397	377,890
Interest (Note 7)	232,746	61,816	-	61,816	294,562
Dues, memberships and licenses	17,800	140,074	470	140,544	158,344
Miscellaneous	97,799	9,464	2,720	12,184	109,983
Transportation of clients	15,414	972	-	972	16,386
Total functional expenses	$ 42,522,120	$ 4,649,091	$ 238,437	$ 4,887,528	$ 47,409,648

See notes to financial statements.

The Arc Baltimore, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 4,913,760**	$ 1,909,694
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,326,610**	1,473,510
Increase in allowance for doubtful accounts	**215,587**	5,998
Net realized and unrealized gain on investments	**(923,681)**	(29,511)
Loss on disposal of property and equipment	**121,442**	21,266
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	**(973,560)**	436,700
Receivables from governmental agencies	**(503,619)**	(1,359,599)
Other receivables	**30,534**	(5,903)
Other current assets	**(178,363)**	218,707
Increase (decrease) in:		
Accounts payable and accrued expenses	**(705,887)**	995,035
Deferred revenue	**(15,002)**	3,353
Pension liability	**(1,622,848)**	(529,339)
Net cash provided by operating activities	**1,684,973**	3,139,911
Cash flows from investing activities:		
Acquisition of property and equipment	**(223,945)**	(573,202)
Purchase of investments	**(88,073)**	(125,776)
Proceeds from sale of investments	**33,460**	26,240
Decrease in security deposit	**960**	7,999
Increase in certificates of deposit	**(572)**	(1,454)
Increase in bond escrow funds	**(16,538)**	(6,581)
Net cash used in investing activities	**(294,708)**	(672,774)
Cash flows from financing activities:		
Principal payments on long-term debt	**(863,943)**	(922,215)
Proceeds from long-term debt	**2,200,000**	-
Net cash provided by (used in) financing activities	**1,336,057**	(922,215)
Net increase in cash and cash equivalents	**2,726,322**	1,544,922
Cash and cash equivalents:		
Beginning of year	**10,121,212**	8,576,290
End of year	**$ 12,847,534**	$ 10,121,212

(Continued)

The Arc Baltimore, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 285,424**	$ 294,808
Supplemental schedule of noncash investing and financing activities:		
Vehicles and equipment acquired through notes payable	**$ 32,992**	$ 409,659

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, 2021 and 2020, approximately 67% and 70%, 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Represent resources that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations. Arc has designated certain net assets without donor restrictions for future long-term capital investment projects.

Net assets with donor restrictions: Represent resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Arc pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or use for specified purposes.

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.

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

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. Cash designated for operating reserves represents amounts set aside to assist with potential funding shortages and billing delays during implementation of the statewide new rate system which will begin on July 1, 2022.

Escrow funds: Escrow funds include amounts for mortgage purposes and for debt service purposes (see Notes 7 and 8). Escrow funds for mortgage purposes represent deposits for taxes, insurance and repairs. The balance in the account related to mortgage escrow funds at June 30, 2021 and 2020, was $166,124 and $154,272, respectively.

Investments in marketable securities: Investments with a readily determinable fair value are reported at fair value in the statements of financial position. Gains and losses on investments are reported in the statements of activities as part of investment income (see Note 6).

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 gifts without donor restrictions designated by the Board of Directors to be held for long-term investment.

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 individuals.

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 $226,190 and $10,603 at June 30, 2021 and 2020, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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 2-4 years
Furniture, fixtures and equipment	5-10 years
Vehicles	5 years

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

Land and buildings purchased with state funds prior to fiscal year 2021 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.

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 asset exceeds the estimated fair value of the asset. 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, Arc incurred debt issuance costs that are being amortized on a straight-line basis over the life of the debt (20 years). In August 2018, Arc incurred additional debt issuance costs with the refinancing that are being amortized on a straight-line basis over the life of the debt (22 years). Amortization expense is $24,396 for each of the years ended June 30, 2021 and 2020. Accumulated amortization was $229,004 and $204,608 at June 30, 2021 and 2020, 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.

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.

Arc recognizes contract revenue using a five-step process that includes: (1) identifying the contract with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations and (5) recognizing revenue when (or as) each performance obligation is satisfied.

Arc has a contract with the State of Maryland to provide residential services, day services, employment services and personal supports services to individuals with intellectual and developmental disabilities. These revenues are recognized at a point in time as services are provided. The transaction price is based on predetermined rates by the State for each individual supported. Arc's contract revenue with the State Highway Administration and Maryland Transportation Authority for janitorial, landscaping and policing services are recognized at a point in time as services are provided. The transaction price is based on annual or monthly costs as stated in the contract agreements.

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

Unconditional contributions are recognized as revenue upon receipt, or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless the use is limited by time or donor-imposed restrictions. Conditional contributions are recognized when donor-imposed conditions are substantially met. These revenues are subject to right of return if funds are not spent and also have barriers that must be met in order to be entitled to the funds. Accordingly, amounts received, but not yet recognized as revenue, are classified as deferred revenue in the statements of financial position. There were no additional revenues to be earned on various conditional grants as of June 30, 2021 and 2020.

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.

Arc received distributions under the Provider Relief Funds (PRF) provision of the CARES Act. The recognition of revenue related to these funds is conditioned upon Arc meeting certain terms and conditions including utilizing PRF payments to reimburse Arc for qualifying expenses or lost revenue attributable to coronavirus (COVID-19). Amounts recognized could change in the future based on evolving grant compliance guidance provided by the government. Arc received $730,014 of PRF payments which is recognized as contracts and other revenue in the statement of activities for the year ended June 30, 2021.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited. Salaries and benefits are allocated on the basis of time and effort. Occupancy expenses are allocated based on the square footage occupied related to the respective function. 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 2021 and 2020.

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, 2018.

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

Adopted accounting pronouncement: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU were effective for Arc for fiscal years beginning July 1, 2020. Arc adopted this amendment on a modified prospective basis. The adoption did not have a material impact on the reported net assets as of July 1, 2020.

Pending accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is requires for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for the fiscal year beginning July 1, 2022. Arc is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

Subsequent events: Subsequent events have been evaluated through November 17, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The following reflects Arc's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or internal designations. As part of Arc'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. To help manage unanticipated liquidity needs, Arc has a committed line of credit in the amount of $2,000,000, which it could draw upon (see Note 9). Arc also has a Board Designated endowment of $4,629,878 and $3,651,584 as of June 30, 2021 and 2020, respectively. Although Arc does not intend to spend from the endowment other than amounts appropriated for general expenditure as part of its annual approval process, amounts from the endowment could be made available if necessary and approved by the Board of Directors.

	2021	2020
Cash and cash equivalents	$ 12,847,534	$ 10,121,212
Accounts receivable, net	2,927,269	2,169,296
Receivables from government agencies	2,208,089	1,704,470
Other receivables	15,280	45,814
Residents' funds	923,956	957,281
Certificate of deposit	609,751	609,179
Escrow funds	583,071	566,533
Board-designated investments	4,629,878	3,651,584
	24,744,828	19,825,369
Less:		
Restrictions by donors	(560,545)	(600,932)
Residential funds	(923,956)	(957,281)
Certificate of deposit with bank securing letters of credit	(609,751)	(609,179)
Escrow funds	(583,071)	(566,533)
Board designated endowment funds, primarily for long-term investing, net of appropriations	(4,509,878)	(3,561,584)
Amounts set aside for operating reserves	(6,000,000)	(4,000,000)
Amounts set aside for capital reserves	(800,000)	(450,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,757,627	$ 9,079,860

In the 2014 Maryland General Assembly, legislation was passed for the DDA to conduct a comprehensive rate study, which would result in revised rates for Maryland providers effective July 1, 2020. Due to the current pandemic, the State approved an extension of the new rate system which is set to begin July 1, 2022. Services under the new Community Pathways Waiver will be converted from a daily rate to an hourly rate, will encompass several new waiver services, and will alter the payment system from prospective to fee-for-service. During 2019, DDA performed an analysis of the proposed rates and indicated the administration would require an additional appropriation in order to fully fund the new rates. The appropriation would also include funding to increase the reimbursement rate to ensure the direct support wage remains higher than the rising State minimum wage. Maryland providers cannot determine the level of funding the upcoming 2022 Maryland General Assembly will approve for the new rates; therefore, it is uncertain the financial impact the agency will face under the new rate system in fiscal year 2022. Given this uncertainty, Arc has appropriately created an operating reserve of $6,000,000 and $4,000,000 at June 30, 2021 and 2020, respectively to assist with potential funding shortages and billing delays during implementation of the statewide new rate system beginning July 1, 2022.

Note 3. Property and Equipment

The following is a summary of property and equipment at June 30, 2021 and 2020:

	2021	2020
Land	$ 1,971,654	$ 1,971,654
Buildings and improvements	20,245,939	19,904,196
Furniture, fixtures and vehicles	14,535,792	14,364,492
Leasehold improvements	280,221	280,221
Construction in progress	38,932	416,478
	37,072,538	36,937,041
Accumulated depreciation	(29,282,056)	(27,979,840)
	$ 7,790,482	$ 8,957,201

Depreciation expense was $1,302,214 and $1,449,114 for the years ended June 30, 2021 and 2020, respectively.

Note 4. 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, 2021 and 2020, was $728,005 and $700,108, respectively.

Deferred compensation plan: In February 2020, Arc established a 457(b) plan whereby a select group of employees are eligible to participate. There are no assets, liabilities, or expenses under the 457(b) plan for the year ended June 30, 2021 and 2020 as no eligible employees elected to participate for the years ended June 30, 2021 or 2020.

Noncontributory defined benefit plan: Arc had 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. In February 2020, the Board of Directors approved to begin the termination process of the Pension Plan. On September 21, 2020, the IRS issued a favorable determination letter to terminate the plan. Arc commenced the termination process on October 15, 2020. Arc distributed all assets from the plan during the year ended June 30, 2021. A pension liability of $122,180 remains for unidentified beneficiaries as of June 30, 2021.The components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in non-operating activities were losses of $116,451 and losses of $258,662 for the years ended June 30, 2021 and 2020, respectively. Because there were no service costs included in net periodic benefit cost since the plan is frozen, these amounts are included in nonoperating activities on the statements of activities.

Note 4. Pension Plans (Continued)

Under the provisions of the Pension Plan, Arc made contributions as required to maintain the Pension Plan on a sound actuarial basis. Arc's policy was 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.

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:

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 5,516,276	$ 5,884,116
Actuarial (gain) loss	(286,632)	300,067
Interest cost	44,961	137,474
Benefits paid	(5,274,605)	(805,381)
Benefit obligation at end of year	-	5,516,276
Change in plan assets:		
Fair value of plan assets at beginning of year	3,771,248	3,609,749
Actual return (loss) on plan assets	(23,345)	178,880
Benefits paid	(5,274,605)	(805,381)
Employer contributions	1,526,702	788,000
Fair value of plan assets at end of year	-	3,771,248
Pension liability (funded status)	$ -	$ (1,745,028)
Components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in nonoperating activities:		
Interest cost	$ 44,961	$ 137,474
Expected return on plan assets	(48,229)	(109,684)
Net amortization and deferral	119,719	240,773
Settlement cost	2,123,543	330,823
Change in unrecognized net actuarial loss	(2,356,445)	(858,048)
Net periodic benefit cost other than service costs recognized in nonoperating activities	$ (116,451)	$ (258,662)

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

	2021	2020
Discount rate – periodic pension cost	1.95%	2.92%
Discount rate – benefit obligation	2.14%	2.33%
Discount rate – settlement cost	1.95%	2.92%
Average increase in future compensation levels	N/A	N/A
Expected long-term rate of return on assets	3.50%	3.50%

Note 4. Pension Plans (Continued)

Plan assets: The Pension Plan's weighted-average asset allocations at June 30, 2021 and 2020, by asset category, are as follows:

	2021	2020
Fixed income	N/A	98%
Cash	N/A	2%

Assets of the Pension Plan were 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. Given the pending Pension Plan termination, Arc has appropriately adjusted the weighted-average asset allocations at June 30, 2020. Investment objectives of the Pension Plan also included:

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

Contributions: Arc contributed $1,526,702 and $788,000 to the Pension Plan during the years ended June 30, 2021 and 2020, respectively.

Note 5. 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 August 31, 2022 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, 2021, Arc is liable under terms of non-cancelable leases for the following minimum annual lease payments:

Years ending June 30:		
2022	$	194,698
2023		5,000
	$	194,698

Rent expense charged to operations amounted to $781,046 and $969,999 for facilities and $209,534 and $173,070 for equipment and automobiles for the years ended June 30, 2021 and 2020, respectively.

Note 5. Commitments and Contingencies (Continued)

Capital leases: Arc is obligated under various capital leases for office and landscape equipment, which expire through 2022. The following is a schedule of future minimum payments required under the lease, together with their present value as of June 30, 2021:

Year ending June 30:		
2022	$	16,071
Less amount representing interest (at imputed rates ranging from 6% to 7%)		(680)
Present value of minimum lease payments	$	15,391

Amortization of assets held under capital leases is included with depreciation expense (see Note 7 for maturity schedule of capital lease obligations).

The following is an analysis at June 30, 2021 and 2020, of the equipment acquired under capital leases, which is included in property and equipment on the statements of financial position:

		2021		2020
Cost	$	3,403,415	$	3,403,415
Less accumulated depreciation		(3,348,248)		(3,294,933)
	$	55,167	$	108,482

Litigation: Arc has certain pending legal proceedings that generally involve staffing and service 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.

Uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, and quarantine in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be for Arc. The extent of the impact of COVID-19 on Arc's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Note 6. Board-Designated Investments

Board-designated investments as of June 30, consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 101,278	$ 101,278	$ 82,932	$ 82,932
Mutual funds	2,413,738	2,952,679	2,296,633	2,415,310
Common stock	945,641	1,575,921	844,507	1,153,342
	$ 3,460,657	$ 4,629,878	$ 3,224,072	$ 3,651,584

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 net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes. The endowment account contains no contributions that are classified as 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 net assets without donor restrictions. Changes in endowment net assets are as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Endowment net assets, beginning of year	$ 3,651,584	$ 3,522,537
Contributions	48,499	43,966
Realized and unrealized gains, net	923,681	29,511
Investment income, net of fees	39,574	81,810
Endowment distribution	(33,460)	(26,240)
Endowment net assets, end of year	$ 4,629,878	$ 3,651,584

Note 7. Long-Term Obligations

Long-term obligations consisted of the following at June 30:

	2021	2020
Bank loans	$ 5,678,458	$ 3,717,813
Various mortgages payable, collateralized by deeds of trust on the respective properties; interest at rates ranging between 1% and 6.5%, payable monthly with various maturity dates through March 2034	847,298	923,120
Capital lease obligations (Note 5)	15,391	84,071
Various notes payable, collateralized by vehicles; interest at rates ranging between 0% and 7.54%; payable monthly with various maturity dates through August 2024	732,956	1,180,050
Subtotal	7,274,103	5,905,054
Less debt issuance costs, net of amortization	(219,541)	(243,937)
Long-term debt, net	7,054,562	5,661,117
Less current portion	(803,691)	(792,444)
	$ 6,250,871	$ 4,868,673

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 $285,424 and $294,562 was charged to operations for the years ended June 30, 2021 and 2020, respectively.

Bank loan: Arc entered into a bank loan on November 17, 2010, in the amount of $5,790,000. The bank loan had a variable interest rate based on the one-month London Interbank Offered Rate (LIBOR) plus 205 basis points multiplied by an adjustable margin rate factor. The additional basis points could 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 were scheduled based on a 20-year amortization table. The maturity date of the underlying bonds was November 17, 2030.

On August 1, 2018, Arc refinanced its bank loan. As part of the refinance, certain provisions of the original agreement were amended. The interest rate has been amended to the Medium-Term Fixed Rate of 3.9% with principal payments being amortized based on a 22-year straight-line basis.

Arc entered into a second bank loan on December 21, 2020, in the amount of $2,200,000. The loan bears interest at a fixed rate of 3.25% and has a maturity date of December 21, 2025.

Note 7. Long-Term Obligations (Continued)

Principal maturities for all long-term obligations are due in future years as follows:

	Bank Loans	Mortgages Payable	Capital Lease Obligations	Notes Payable	Total
Years ending June 30:					
2022	$ 294,254	$ 79,943	$ 15,391	$ 414,103	$ 803,691
2023	294,254	83,902	-	251,860	630,016
2024	294,254	259,124	-	65,218	618,596
2025	294,254	70,481	-	1,775	366,510
2026	1,889,254	68,854	-	-	1,958,108
Thereafter	2,612,188	284,994	-	-	2,897,182
	$ 5,678,458	$ 847,298	$ 15,391	$ 732,956	$ 7,274,103

Bond issuance costs associated with the bank loan equal $448,545 for the years ended June 30, 2021 and 2020 and are being amortized over the life of the transaction. Total accumulated amortization was $229,004 and $204,608 as of June 30, 2021 and 2020, respectively. The net issuance costs of $219,541 and $243,937 were netted against long-term debt on the statements of financial position at June 30, 2021 and 2020, respectively.

Note 8. Escrow Funds

In connection with the bank loans (see Note 7), Arc is required to retain certain loan proceeds in the amount of at least $405,580 in a separate fund. Arc maintained a balance of $416,947 and $412,261 in a separate fund as of June 30, 2021 and 2020, respectively.

Note 9. Line of Credit

Arc has a $2,000,000 revolving line of credit, which bears interest at the daily one-month LIBOR plus 1.75% at June 30, 2021 (2.05% and 1.91% at June 30, 2021 and 2020, respectively), and matures on December 15, 2021. As of June 30, 2021 and 2020, there was no outstanding balance.

Note 10. Letters of Credit

Arc has available a stand-by letter of credit totaling $419,560 through September 30, 2022, in accordance with an agreement with the State of Maryland. 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, 2021 and 2020, related to the stand-by letter of credit. The letter of credit was collateralized by a certificate of deposit in the amount of $450,681 and $449,940 as of June 30, 2021 and 2020, respectively. Arc additionally has a money market account in the amount of $159,070 and $159,239 as of June 30, 2021 and 2020, respectively.

Note 11. 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, 2021 and 2020, Arc had accrued a liability of $2,233,784 and $3,414,087, respectively, for the potential adjustments, which is included in accounts payable and accrued expenses on the statements of financial position.

Note 11. Government Agencies (Continued)

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

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions were $560,545 and $600,932 at June 30, 2021 and 2020, respectively. Within these net assets, $378,473 is restricted for the purchase of residences as of June 30, 2021 and 2020. The remaining $182,072 and $222,459 as of June 30, 2021 and 2020, respectively, are restricted contributions for the purchase of furnishings, DJ's and dances, and Bay Buddies summer camp. Net assets with donor restrictions released from restrictions for the years ended June 30, 2021 and 2020 were for the following:

	2021	2020
Furnishings	$ -	$ 918
DJ's and dances	40,387	37,575
Healthy Weighs Program	-	2,533
Bay Buddies summer camp	-	60,829
Total	$ 40,387	$ 101,855

Note 13. 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 that 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.

Note 13. Fair Value Measurements (Continued)

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.

Level 2: Arc has no Level 2 assets or liabilities at June 30, 2021 and 2020.

Level 3: Arc has no Level 3 assets or liabilities at June 30, 2021 and 2020.

The following tables present Arc's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	June 30, 2021			
Board-Designated Investments	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 1,209,827	$ 1,209,827	$ -	$ -
Growth	642,402	642,402	-	-
Fixed income	1,100,450	1,100,450	-	-
Total mutual funds	2,952,679	2,952,679	-	-
Common stock	1,575,921	1,575,921	-	-
	4,528,600	$ 4,528,600	$ -	$ -
Cash and cash equivalents	101,278			
Total Board-designated investments	$ 4,629,878			

Note 13. Fair Value Measurements (Continued)

	June 30, 2020			
Board-Designated Investments	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 894,695	$ 894,695	$ -	$ -
Growth	486,995	486,995	-	-
Fixed income	1,033,620	1,033,620	-	-
Total mutual funds	2,415,310	2,415,310	-	-
Common stock	1,153,342	1,153,342	-	-
	3,568,652	$ 3,568,652	$ -	$ -
Cash and cash equivalents	82,932			
Total Board-designated investments	$ 3,651,584			

	June 30, 2020			
Pension Plan Assets	Total	Level 1	Level 2	Level 3
Mutual funds:				
Fixed income	$ 3,686,394	$ 3,686,394	$ -	$ -
	3,686,394	$ 3,686,394	$ -	$ -
Cash and cash equivalents	84,854			
Total pension plan assets	$ 3,771,248			

Independent Auditor's Report on the Supplementary Information

Board of Directors
The Arc Baltimore, Inc.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 28 through 32 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 32 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 32 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 32 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 17, 2021

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 9,778,207	$ 22,711,292	$ 2,909,454	$ 35,398,953
Contracts and other revenue	14,433,417	1,187,103	-	15,620,520
Public support, direct	7,450	15,500	26,494	49,444
Public support, indirect	-	-	55,264	55,264
Total support and revenue	24,219,074	23,913,895	2,991,212	51,124,181
Expenses:				
Staff salaries	9,834,441	12,890,013	1,055,185	23,779,639
Client salaries	1,231,698	-	-	1,231,698
Fringe benefits	2,252,986	2,531,729	231,584	5,016,299
Supplies, equipment and materials	622,903	149,222	3,291	775,416
Contracted services	4,610,464	1,615,983	29,033	6,255,480
Assistance to individuals	27,860	202,010	1,253,566	1,483,436
Depreciation and amortization	647,261	432,783	3,750	1,083,794
Transportation of clients	435	207	-	642
Food	1,168	614,289	111	615,568
Dues, memberships and licenses	7,160	5,754	5,915	18,829
Interest	71,525	119,142	4,697	195,364
Insurance	319,893	176,633	13,157	509,683
Utilities and telephone	273,514	430,846	16,637	720,997
Rent and lease expense	114,849	768,925	7,202	890,976
Repairs and maintenance	171,362	337,780	7,426	516,568
Training and travel	63,006	69,298	4,908	137,212
Administration and support	1,651,619	1,618,122	211,138	3,480,879
Miscellaneous	346,815	5,570	3,593	355,978
Total expenses	22,248,959	21,968,306	2,851,193	47,068,458
Change in net assets from operating activities	$ 1,970,115	$ 1,945,589	$ 140,019	$ 4,055,723

Support and Administration	Totals	2020 Totals
$ 194,169	$ 35,593,122	$ 34,884,760
1,106,711	16,727,231	14,065,598
439,597	489,041	448,420
-	55,264	50,157
1,740,477	52,864,658	49,448,935
2,451,299	26,230,938	26,260,665
770	1,232,468	2,662,052
549,962	5,566,261	6,112,584
109,180	884,596	1,246,181
1,054,540	7,310,020	3,489,011
14,974	1,498,410	1,232,197
242,816	1,326,610	1,473,510
366	1,008	16,386
-	615,568	697,491
126,401	145,230	158,344
90,060	285,424	294,562
69,354	579,037	635,854
138,137	859,134	879,118
99,604	990,580	1,143,069
74,063	590,631	620,751
55,195	192,407	377,890
(3,480,879)	-	-
158,871	514,849	109,983
1,754,713	48,823,171	47,409,648
$ (14,236)	$ 4,041,487	$ 2,039,287

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2020

	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 12,684,177	$ 19,455,343	$ 2,745,240	$ 34,884,760
Contracts and other revenue	12,394,803	1,241,049	9,894	13,645,746
Public support, direct	105,531	27,715	51,136	184,382
Public support, indirect	-	-	50,157	50,157
Total support and revenue	25,184,511	20,724,107	2,856,427	48,765,045
Expenses:				
Staff salaries	10,804,937	12,051,857	1,096,878	23,953,672
Client salaries	2,652,947	-	-	2,652,947
Fringe benefits	2,766,342	2,545,022	255,043	5,566,407
Supplies, equipment and materials	902,216	182,287	5,495	1,089,998
Contracted services	2,022,038	515,022	97,453	2,634,513
Assistance to individuals	17,816	197,262	1,012,493	1,227,571
Depreciation and amortization	758,484	449,676	5,204	1,213,364
Transportation of clients	1,624	635	13,155	15,414
Food	34,695	654,945	5,693	695,333
Dues, memberships and licenses	9,106	3,848	4,846	17,800
Interest	94,063	133,403	5,280	232,746
Insurance	383,822	180,722	6,775	571,319
Utilities and telephone	308,508	410,471	16,025	735,004
Rent and lease expense	218,145	841,352	7,350	1,066,847
Repairs and maintenance	213,401	284,202	9,290	506,893
Training and travel	147,858	64,809	31,826	244,493
Administration and support	2,196,280	1,952,205	261,388	4,409,873
Miscellaneous	83,488	8,202	6,109	97,799
Total expenses	23,615,770	20,475,920	2,840,303	46,931,993
Change in net assets from operating activities	$ 1,568,741	$ 248,187	$ 16,124	$ 1,833,052

Support and Administration	Totals
$ -	$ 34,884,760
419,852	14,065,598
264,038	448,420
-	50,157
683,890	49,448,935
2,306,993	26,260,665
9,105	2,662,052
546,177	6,112,584
156,183	1,246,181
854,498	3,489,011
4,626	1,232,197
260,146	1,473,510
972	16,386
2,158	697,491
140,544	158,344
61,816	294,562
64,535	635,854
144,114	879,118
76,222	1,143,069
113,858	620,751
133,397	377,890
(4,409,873)	-
12,184	109,983
477,655	47,409,648
$ 206,235	$ 2,039,287

The Arc Baltimore, Inc.

Schedule of Foster Care and Treatment
Foster Care Revenue and Expenses
Year Ended June 30, 2021

	Treatment Foster Care	
	Actual	Budget (Unaudited)
Revenue:		
Fee for service	$ 1,190,367	$ 1,212,500
	1,190,367	1,212,500
Allowable expenses:		
Administrative and support services	79,004	125,500
Assistance	547,888	554,600
Contracted services	12,570	8,900
Depreciation	2,000	3,000
Dues, memberships and licenses	3,584	6,300
Fringe benefits	83,582	99,000
Insurance	5,047	5,000
Miscellaneous	2,217	11,000
Equipment rental and lease repairs	3,841	5,000
Repairs and maintenance	4,306	6,900
Salary	371,346	371,900
Supply	1,582	1,500
Travel and transportation	1,404	13,000
Utility	9,977	10,100
Total allowable expenses	1,128,348	1,221,700
Excess of revenue over allowable expenses	62,019	(9,200)
Excess of revenue over expenses	$ 62,019	$ (9,200)
Child care months	292	
Actual cost of care per month	$ 3,864	
Contracted monthly fees	$ 4,082	Treatment rate

Conversion of Revenue from Accrual Basis to Cash Basis

Fee for Service Revenue – Accrual Basis	$ 1,190,367
Fee for Service Receivable, Beginning Balance	105,814
Fee for Service Receivable, Ending Balance	(105,929)
Fee for Service Revenue – Cash Basis	$ 1,190,252