The Arc Baltimore, Inc.

Financial Report
June 30, 2023

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
The Arc Baltimore, Inc.

Opinion
We have audited the financial statements of The Arc Baltimore, Inc. (the Arc), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Arc as of June 30, 2023 and 2022, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Arc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Arc's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Arc's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Baltimore, Maryland
November 22, 2023

The Arc Baltimore, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	**$ 12,745,517**	$ 4,582,825
Cash designated for operating reserves (Note 2)	**9,500,000**	9,000,000
Accounts receivable, net	**1,572,014**	2,687,027
Receivables from government agencies	**3,152,428**	3,865,282
Other receivables	**128,511**	57,261
Residents' funds (Note 1)	**233,138**	261,602
Other current assets	**524,429**	477,360
Total current assets	**27,856,037**	20,931,357
Property and equipment, net (Note 3)	**7,999,727**	8,130,731
Other assets:		
Security deposits	**61,548**	64,674
Letter of credit collateral (Note 10)	**611,842**	609,798
Escrow funds (Notes 7 and 8)	**619,190**	595,251
Board-designated investments (Notes 6 and 13)	**4,980,771**	4,336,892
Right-of-use assets, operating leases (Note 14)	**181,467**	-
Total other assets	**6,454,818**	5,606,615
Total assets	**$ 42,310,582**	$ 34,668,703

(Continued)

The Arc Baltimore, Inc.

Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 10,660,642**	$ 5,600,715
Deferred revenue	**46,062**	52,862
Residents' funds payable (Note 1)	**233,138**	261,602
Current portion of operating lease liabilities (Note 14)	**62,236**	-
Current portion of long-term debt (Note 7)	**662,453**	659,397
Total current liabilities	**11,664,531**	6,574,576
Long-term liabilities:		
Long-term debt, net of issuance costs (Note 7)	**5,373,942**	5,955,312
Long-term operating lease liabilities (Note 14)	**119,231**	-
Pension liability (Note 4)	**122,180**	122,180
Total long-term liabilities	**5,615,353**	6,077,492
Total liabilities	**17,279,884**	12,652,068
Commitments and contingencies (Notes 2, 4, 5, 9 and 10)		
Net assets:		
Without donor restrictions:		
Operating	**18,581,993**	16,301,372
Board-designated for investment (Note 6 and 13)	**4,980,771**	4,336,892
Capital reserves (Note 1)	**1,000,000**	900,000
Total net assets without donor restrictions	**24,562,764**	21,538,264
With donor restrictions (Note 12)	**467,934**	478,371
Total net assets	**25,030,698**	22,016,635
Total liabilities and net assets	**$ 42,310,582**	$ 34,668,703

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2022 Total
Support and revenue:				
Government agencies	**$ 40,177,379**	**$ -**	**$ 40,177,379**	$ 38,626,342
Contracts and other revenue	**10,173,239**	**-**	**10,173,239**	12,280,558
Public support, direct	**447,611**	**-**	**447,611**	510,869
Public support, indirect	**42,211**	**-**	**42,211**	56,518
Net assets released from restrictions	**10,437**	**(10,437)**	**-**	-
Total support and revenue	**50,850,877**	**(10,437)**	**50,840,440**	51,474,287
Expenses (Notes 3, 4, 5 and 7):				
Program services:				
Employment and Day	**17,614,225**	**-**	**17,614,225**	18,984,504
Community Living	**21,525,293**	**-**	**21,525,293**	20,366,655
Family and Children	**3,503,783**	**-**	**3,503,783**	3,371,534
Total program services	**42,643,301**	**-**	**42,643,301**	42,722,693
Supporting services:				
Management and general	**5,714,856**	**-**	**5,714,856**	5,223,106
Fundraising	**290,373**	**-**	**290,373**	274,170
Total supporting services	**6,005,229**	**-**	**6,005,229**	5,497,276
Total operating expenses	**48,648,530**	**-**	**48,648,530**	48,219,969
Change in net assets from operating activities	**2,202,347**	**(10,437)**	**2,191,910**	3,254,318
Nonoperating activities:				
Contributions designated for endowment	**121,261**	**-**	**121,261**	566,352
Investment income (loss), net (Note 6)	**523,624**	**-**	**523,624**	(859,329)
Gain on sale of property	**177,268**	**-**	**177,268**	172,813
Change in net assets	**3,024,500**	**(10,437)**	**3,014,063**	3,134,154
Net assets at beginning of year	**21,538,264**	**478,371**	**22,016,635**	18,882,481
Net assets at end of year	**$ 24,562,764**	**$ 467,934**	**$ 25,030,698**	$ 22,016,635

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Activities
Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government agencies	$ 38,626,342	$ -	$ 38,626,342
Contracts and other revenue	12,280,558	-	12,280,558
Public support, direct	510,869	-	510,869
Public support, indirect	56,518	-	56,518
Net assets released from restrictions	82,174	(82,174)	-
Total support and revenue	51,556,461	(82,174)	51,474,287
Expenses (Notes 3, 4, 5 and 7):			
Program services:			
Employment and Day	18,984,504	-	18,984,504
Community Living	20,366,655	-	20,366,655
Family and Children	3,371,534	-	3,371,534
Total program services	42,722,693	-	42,722,693
Supporting services:			
Management and general	5,223,106	-	5,223,106
Fundraising	274,170	-	274,170
Total supporting services	5,497,276	-	5,497,276
Total operating expenses	48,219,969	-	48,219,969
Change in net assets from operating activities	3,336,492	(82,174)	3,254,318
Nonoperating activities:			
Contributions designated for endowment	566,352	-	566,352
Investment loss, net (Note 6)	(859,329)	-	(859,329)
Gain on sale of property	172,813	-	172,813
Change in net assets	3,216,328	(82,174)	3,134,154
Net assets at beginning of year	18,321,936	560,545	18,882,481
Net assets at end of year	$ 21,538,264	$ 478,371	$ 22,016,635

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Staff salaries	$ 24,714,826	$ 2,717,716	$ 180,562	$ 2,898,278	$ 27,613,104
Contract services	3,003,800	1,099,928	35,480	1,135,408	4,139,208
Fringe benefits (Note 4)	4,965,452	558,031	37,115	595,146	5,560,598
Assistance to individuals	1,843,967	88,171	-	88,171	1,932,138
Depreciation and amortization (Note 3)	936,655	240,668	375	241,043	1,177,698
Client salaries	2,393,051	3,333	-	3,333	2,396,384
Rent and lease expense	712,111	80,244	-	80,244	792,355
Supplies, equipment and materials	1,046,472	147,640	3,759	151,399	1,197,871
Utilities and telephone	779,632	165,971	661	166,632	946,264
Food	581,387	3,168	-	3,168	584,555
Repairs and maintenance	563,053	87,229	-	87,229	650,282
Insurance	663,190	95,195	1,322	96,517	759,707
Miscellaneous	133,120	2,653	29,066	31,719	164,839
Interest (Note 7)	149,137	110,436	-	110,436	259,573
Training and travel	126,281	193,493	1,707	195,200	321,481
Dues, memberships and licenses	16,229	120,749	326	121,075	137,304
Transportation of clients	14,938	231	-	231	15,169
Total functional expenses	$ 42,643,301	$ 5,714,856	$ 290,373	$ 6,005,229	$ 48,648,530

See notes to financial statements.

The Arc Baltimore, Inc.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Staff salaries	$ 23,872,219	$ 2,446,619	$ 172,624	$ 2,619,243	$ 26,491,462
Contract services	4,048,311	1,117,826	22,186	1,140,012	5,188,323
Fringe benefits (Note 4)	5,248,449	556,465	39,381	595,846	5,844,295
Assistance to individuals	1,664,031	25,635	-	25,635	1,689,666
Depreciation and amortization (Note 3)	971,097	243,897	375	244,272	1,215,369
Client salaries	2,371,504	1,991	-	1,991	2,373,495
Rent and lease expense	785,459	85,676	-	85,676	871,135
Supplies, equipment and materials	972,140	125,949	2,172	128,121	1,100,261
Utilities and telephone	677,856	134,485	571	135,056	812,912
Food	569,257	50	-	50	569,307
Repairs and maintenance	549,826	93,063	-	93,063	642,889
Insurance	598,308	72,092	648	72,740	671,048
Miscellaneous	100,831	7,973	30,620	38,593	139,424
Interest (Note 7)	167,092	118,776	-	118,776	285,868
Training and travel	105,241	81,758	5,241	86,999	192,240
Dues, memberships and licenses	12,526	110,281	352	110,633	123,159
Transportation of clients	8,546	570	-	570	9,116
Total functional expenses	$ 42,722,693	$ 5,223,106	$ 274,170	$ 5,497,276	$ 48,219,969

See notes to financial statements.

The Arc Baltimore, Inc.

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 3,014,063**	$ 3,134,154
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,177,698**	1,215,369
Decrease in allowance for doubtful accounts	**(48,816)**	(146,539)
Net realized and unrealized (gain) loss on investments	**(366,670)**	995,406
Gain on sale of property and equipment	**(177,268)**	(172,813)
Amortization of right-of-use assets	**40,763**	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable, net	**1,163,829**	386,781
Receivables from governmental agencies	**712,854**	(1,657,193)
Other receivables	**(71,250)**	(41,981)
Other current assets	**(47,069)**	(173,078)
Increase (decrease) in:		
Accounts payable and accrued expenses	**5,059,927**	(257,607)
Deferred revenue	**(6,800)**	(14,798)
Lease liabilities	**(40,763)**	-
Net cash provided by operating activities	**10,410,498**	3,267,701
Cash flows from investing activities:		
Proceeds from sale of property and equipment	**310,000**	175,000
Acquisition of property and equipment	**(1,155,030)**	(1,533,409)
Purchase of investments	**(408,360)**	(776,914)
Proceeds from sale of investments	**131,151**	74,494
Decrease in security deposit	**3,126**	4,895
Increase in certificates of deposit	**(2,044)**	(47)
Increase in bond escrow funds	**(23,939)**	(12,180)
Net cash used in investing activities	**(1,145,096)**	(2,068,161)
Cash flows from financing activities:		
Principal payments on long-term debt	**(602,710)**	(819,749)
Proceeds from long-term debt	**-**	355,500
Net cash used in financing activities	**(602,710)**	(464,249)
Net increase in cash and cash equivalents	**8,662,692**	735,291
Cash and cash equivalents:		
Beginning of year	**13,582,825**	12,847,534
End of year	**$ 22,245,517**	$ 13,582,825

(Continued)

The Arc Baltimore, Inc.

Statements of Cash Flows (Continued)
Years Ended June 30, 2023 and 2022

	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 259,573**	$ 285,868
Supplemental schedule of noncash investing and financing activities:		
Vehicles and equipment acquired through notes payable	**$ 57,575**	$ -
Supplemental cash flow information related to leases is as follows:		
ROU assets obtained in exchange for lease obligations:		
Operating leases	**$ 218,145**	$ -
Lease liability:		
Operating leases	**$ 218,145**	$ -

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 four 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, 2023 and 2022, approximately 79% and 75%, respectively, of Arc's total support and revenue was received from the State of Maryland.

A summary of Arc's significant accounting policies follows:

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.

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 full implementation of the statewide new rate system which is expected to begin on July 1, 2024.

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

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, 2023 and 2022, was $190,082 and $178,143, 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 $30,835 and $79,651 at June 30, 2023 and 2022, 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 2022 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, 2023 and 2022. Accumulated amortization was $277,796 and $253,400 at June 30, 2023 and 2022, 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 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 (the State) 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, 2023 and 2022.

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 Coronavirus Aid, Relief and Economic Security Act (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 $53,788 of PRF payments for the year ended June 30, 2022, which is recognized as contracts and other revenue in the statement of activities. There were no amounts received for the year ended June 30, 2023.

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 2023 and 2022.

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.

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

Leases: In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. Arc adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, Arc has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with Arc's historical accounting treatment under ASC Topic 840, Leases.

Arc determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) Arc obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Arc also considers whether its service arrangements include the right to control the use of an asset.

Arc elected the package of practical expedients under the transition guidance within Topic 842, in which Arc does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. Arc has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

Arc made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, Arc made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

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

Arc has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to Arc, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to Arc's operating leases of $218,145 and $218,145, respectively, on July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: Subsequent events have been evaluated through November 22, 2023, 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, 2023 and 2022, 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 $1,500,000, which it could draw upon (see Note 9). Arc also has a board-designated endowment of $4,980,771 and $4,336,892 as of June 30, 2023 and 2022, 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.

Note 2. Liquidity and Availability (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	$ 22,245,517	$ 13,582,825
Accounts receivable, net	1,572,014	2,687,027
Receivables from government agencies	3,152,428	3,865,282
Other receivables	128,511	57,261
Residents' funds	233,138	261,602
Certificate of deposit	611,842	609,798
Escrow funds	619,190	595,251
Board-designated investments	4,980,771	4,336,892
	33,543,411	25,995,938
Less:		
Restrictions by donors	(467,934)	(478,371)
Residential funds	(233,138)	(261,602)
Certificate of deposit with bank securing letters of credit	(611,842)	(609,798)
Escrow funds	(619,190)	(595,251)
Deferred revenue	(46,062)	(52,862)
Amounts due to the State of Maryland	(7,251,887)	(2,401,803)
Board-designated endowment funds, primarily for long-term investing, net of 2023 and 2022 appropriations, respectively	(4,980,771)	(4,216,892)
Amounts set aside for operating reserves	(9,500,000)	(9,000,000)
Amounts set aside for capital reserves	(1,000,000)	(900,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,832,587	$ 7,479,359

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. Due to the ongoing pandemic, the State approved an extension of the new rate system which is set to begin July 1, 2023. 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 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 2024 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 2024. Given this uncertainty, Arc has appropriately created operating reserves of $9,500,000 and $9,000,000 at June 30, 2023 and 2022, respectively to assist with potential funding shortages and billing delays during full implementation of the statewide new rate system beginning July 1, 2024.

Note 3. Property and Equipment

The following is a summary of property and equipment at June 30, 2023 and 2022:

	2023	2022
Land	$ 2,065,360	$ 2,116,090
Buildings and improvements	21,964,332	21,291,439
Furniture, fixtures and vehicles	14,918,405	14,799,682
Leasehold improvements	280,221	280,221
Construction in progress	53,917	92,327
	39,282,235	38,579,759
Accumulated depreciation	(31,282,508)	(30,449,028)
	$ 7,999,727	$ 8,130,731

Depreciation expense was $1,153,302 and $1,190,973 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, was $761,586 and $780,921, respectively.

Deferred compensation plan: In February 2020, Arc established a 457(b) plan, whereby a select group of employees are eligible to participate. Total expense under the 457(b) plan was $37,079 and $31,062 for the year ended June 30, 2023 and 2022, respectively.

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 years ended June 30, 2023 and 2022. A pension liability of $121,180 remains for unidentified beneficiaries as of June 30, 2023 and 2022.

Note 5. Commitments and Contingencies

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.

Note 6. Board-Designated Investments

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

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market funds	$ 101,935	$ 101,935	$ 72,638	$ 72,638
Mutual funds	3,215,714	3,176,425	2,970,978	2,795,822
Common stock	1,215,430	1,702,411	1,214,265	1,468,432
	$ 4,533,079	$ 4,980,771	$ 4,257,881	$ 4,336,892

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.

Note 6. Board-Designated Investments (Continued)

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, 2023 and 2022:

	2023	2022
Endowment net assets, beginning of year	$ 4,336,892	$ 4,629,878
Contributions	251,406	640,837
Realized and unrealized (losses) gains, net	366,670	(995,406)
Investment income, net of fees	156,954	136,077
Endowment distribution	(131,151)	(74,494)
Endowment net assets, end of year	$ 4,980,771	$ 4,336,892

Note 7. Long-Term Obligations

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

	2023	2022
Bank loans	$ 5,089,750	$ 5,384,104
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	993,570	1,106,753
Various notes payable, collateralized by vehicles; interest at rates ranging between 0% and 7.54%; payable monthly with various maturity dates through May 2027	123,824	318,997
Subtotal	6,207,144	6,809,854
Less debt issuance costs, net of amortization	(170,749)	(195,145)
Long-term debt, net	6,036,395	6,614,709
Less current portion	(662,453)	(659,397)
	$ 5,373,942	$ 5,955,312

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 $259,573 and $285,868 was charged to operations for the years ended June 30, 2023 and 2022, 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.

Note 7. Long-Term Obligations (Continued)

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.

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

	Bank Loans	Mortgages Payable	Notes Payable	Total
Years ending June 30:				
2024	$ 294,354	$ 289,882	$ 78,217	$ 662,453
2025	294,354	102,330	15,883	412,567
2026	1,889,354	102,454	15,002	2,006,810
2027	184,354	96,699	14,722	295,775
2028	184,354	90,276	-	274,630
Thereafter	2,242,980	311,929	-	2,554,909
	$ 5,089,750	$ 993,570	$ 123,824	$ 6,207,144

Bond issuance costs associated with the bank loan equal $448,545 for the years ended June 30, 2023 and 2022, and are being amortized over the life of the transaction. Total accumulated amortization was $277,796 and $253,400 as of June 30, 2023 and 2022, respectively. The net issuance costs of $170,749 and $195,145 were netted against long-term debt on the statements of financial position at June 30, 2023 and 2022, 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 $429,108 and $417,108 in a separate fund as of June 30, 2023 and 2022, respectively.

Note 9. Line of Credit

Arc has a $1,500,000 revolving line of credit, which bears interest at a fluctuating rate per annum determined by the Bank to be 2% above the Secured Overnight Financing Rate (SOFR) in effect from time to time, and matures on December 1, 2024. As of June 30, 2023 and 2022, there was no outstanding balance.

Note 10. Letters of Credit

Arc has available a stand-by letter of credit totaling $319,277 through October 1, 2024, 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, 2023 and 2022, related to the stand-by letter of credit. The letter of credit was collateralized by a certificate of deposit in the amount of $450,934 and $450,888 as of June 30, 2023 and 2022, respectively. Arc additionally has a money market account in the amount of $160,908 and $158,910 as of June 30, 2023 and 2022, 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, 2023 and 2022, Arc had accrued a liability of $7,251,887 and $2,401,803, respectively, for the potential adjustments, which is included in accounts payable and accrued expenses on the statements of financial position.

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 $467,934 and $478,371 at June 30, 2023 and 2022, respectively. Within these net assets, $378,473 is restricted for the purchase of residences as of June 30, 2023 and 2022. The remaining $89,461 and $99,898 as of June 30, 2023 and 2022, respectively, are restricted contributions for the purchase of furnishings, DJ’s and dances and the Family Fund. Net assets with donor restrictions released from restrictions for the years ended June 30, 2023 and 2022, were for the following:

	2023	2022
DJ's and dances	$ -	$ 59,174
Family Fund	10,250	23,000
Pritchett Bequest - furnishings	187	-
Total	$ 10,437	$ 82,174

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, 2023 and 2022.

Level 3: Arc has no Level 3 assets or liabilities at June 30, 2023 and 2022.

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, 2023 and 2022:

	June 30, 2023			
Board-Designated Investments	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 1,129,924	$ 1,129,924	$ -	$ -
Growth	553,383	553,383	-	-
Fixed income	1,493,118	1,493,118	-	-
Total mutual funds	3,176,425	3,176,425	-	-
Common stock	1,702,411	1,702,411	-	-
	4,878,836	$ 4,878,836	$ -	$ -
Cash and cash equivalents	101,935			
Total board-designated investments	$ 4,980,771			

	June 30, 2022			
Board-Designated Investments	Total	Level 1	Level 2	Level 3
Mutual funds:				
International	$ 1,085,112	$ 1,085,112	$ -	$ -
Growth	584,512	584,512	-	-
Fixed income	1,126,198	1,126,198	-	-
Total mutual funds	2,795,822	2,795,822	-	-
Common stock	1,468,432	1,468,432	-	-
	4,264,254	$ 4,264,254	$ -	$ -
Cash and cash equivalents	72,638			
Total board-designated investments	$ 4,336,892			

Note 14. Leases

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 March 2025, 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. Rent expense charged to operations amounted to $642,089 and $709,980 for facilities and $150,266 and $161,155 for equipment and automobiles for the years ended June 30, 2023 and 2022, respectively.

Operating lease ROU assets and lease liabilities as of June 30, 2023, consisted of the following:

Assets:	
Operating lease assets	$ 181,467
Liabilities:	
Operating lease liabilities	$ 181,467

The components of lease expense for the year ended June 30, 2023 are as follows:

Operating lease cost	$ 40,763
Short-term lease cost	751,592
Total lease cost	$ 792,355

The lease term and discount rate for operating leases are as follows at June 30, 2023:

Weighted-average remaining lease term for operating leases	3.33 years
Weighted-average discount rate for operating leases	3.28%

Future undiscounted cash flows and reconciliation to the operating lease liabilities recognized on the statement of financial position as of June 30, 2023, is as follows:

Years ending June 30:	
2024	$ 66,472
2025	58,972
2026	31,038
2027	23,430
2028	11,327
Total minimum obligations	191,239
Less imputed interest	(9,772)
Present value of lease liabilities	$ 181,467

Future minimum lease commitments as determined under Topic 840 for noncancellable leases are the same as those noted above.

Note 14. Leases (Continued)

Finance leases: Arc was obligated under various finance leases for office and vehicles which expired through 2022. Amortization of assets held under finance leases is included with depreciation expense.

The following is an analysis at June 30, 2023 and 2022, of the equipment acquired under finance leases, which is included in property and equipment on the statements of financial position:

	2023	2022
Cost	$ 3,403,415	$ 3,403,415
Less accumulated depreciation	(3,403,415)	(3,385,024)
	$ -	$ 18,391

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
The Arc Baltimore, Inc.

We have audited the financial statements of The Arc Baltimore, Inc. (the Arc) as of and for the year ended June 30, 2023, and have issued our report thereon, dated November 22, 2023, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 audit 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 budgeted information on page 31 marked unaudited has not been subjected to 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 22, 2023

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 10,537,883	$ 25,184,765	$ 3,841,079	$ 39,563,727
Contracts and other revenue	7,966,217	1,180,713	156	9,147,086
Public support, direct	24,066	5,325	44,334	73,725
Public support, indirect	-	-	42,211	42,211
Total support and revenue	18,528,166	26,370,803	3,927,780	48,826,749
Expenses:				
Staff salaries	9,208,746	14,220,646	1,285,434	24,714,826
Client salaries	2,393,051	-	-	2,393,051
Fringe benefits	2,110,066	2,593,286	262,100	4,965,452
Supplies, equipment and materials	823,118	219,107	4,247	1,046,472
Contracted services	1,358,856	1,607,260	37,684	3,003,800
Assistance to individuals	8,031	13,024	1,822,912	1,843,967
Depreciation and amortization	496,012	436,037	4,606	936,655
Transportation of clients	7,606	1,084	6,248	14,938
Food	11,118	570,228	41	581,387
Dues, memberships and licenses	6,803	4,112	5,314	16,229
Interest	38,079	107,100	3,958	149,137
Insurance	424,493	229,251	9,446	663,190
Utilities and telephone	320,348	440,109	19,175	779,632
Rent and lease expense	62,237	643,462	6,412	712,111
Repairs and maintenance	177,993	376,546	8,514	563,053
Training and travel	53,393	54,486	18,402	126,281
Administration and support	1,683,427	2,052,542	319,788	4,055,757
Miscellaneous	114,275	9,555	9,290	133,120
Total expenses	19,297,652	23,577,835	3,823,571	46,699,058
Change in net assets from operating activities	$ (769,486)	$ 2,792,968	$ 104,209	$ 2,127,691

Support and Administration	2023 Totals	2022 Totals
$ 613,652	$ 40,177,379	$ 38,626,342
1,026,153	10,173,239	12,280,558
373,886	447,611	510,869
-	42,211	56,518
2,013,691	50,840,440	51,474,287
2,898,278	27,613,104	26,491,462
3,333	2,396,384	2,373,495
595,146	5,560,598	5,844,295
151,399	1,197,871	1,100,261
1,135,408	4,139,208	5,188,323
88,171	1,932,138	1,689,666
241,043	1,177,698	1,215,369
231	15,169	9,116
3,168	584,555	569,307
121,075	137,304	123,159
110,436	259,573	285,868
96,517	759,707	671,048
166,632	946,264	812,912
80,244	792,355	871,135
87,229	650,282	642,889
195,200	321,481	192,240
(4,055,757)	-	-
31,719	164,839	139,424
1,949,472	48,648,530	48,219,969
$ 64,219	$ 2,191,910	$ 3,254,318

The Arc Baltimore, Inc.

Supplemental Schedule of Revenue and Expenses
Year Ended June 30, 2022

	Program Services			
	Employment and Day	Community Living	Family and Children	Total Program Services
Support and revenue:				
Government agencies	$ 11,386,664	$ 23,545,562	$ 3,505,860	$ 38,438,086
Contracts and other revenue	10,782,080	1,124,993	728	11,907,801
Public support, direct	53,080	18,200	41,077	112,357
Public support, indirect	-	-	56,518	56,518
Total support and revenue	22,221,824	24,688,755	3,604,183	50,514,762
Expenses:				
Staff salaries	9,228,893	13,302,219	1,341,107	23,872,219
Client salaries	2,371,504	-	-	2,371,504
Fringe benefits	2,300,260	2,648,261	299,928	5,248,449
Supplies, equipment and materials	786,199	183,008	2,933	972,140
Contracted services	2,633,512	1,394,508	20,291	4,048,311
Assistance to individuals	18,391	15,449	1,630,191	1,664,031
Depreciation and amortization	544,433	422,712	3,952	971,097
Transportation of clients	1,694	2,195	4,657	8,546
Food	2,959	566,298	-	569,257
Dues, memberships and licenses	4,980	6,111	1,435	12,526
Interest	49,621	113,311	4,160	167,092
Insurance	383,300	205,311	9,697	598,308
Utilities and telephone	258,352	403,630	15,874	677,856
Rent and lease expense	66,582	711,753	7,124	785,459
Repairs and maintenance	205,448	335,638	8,740	549,826
Training and travel	40,788	47,256	17,197	105,241
Administration and support	1,998,338	2,308,284	341,800	4,648,422
Miscellaneous	87,588	8,995	4,248	100,831
Total expenses	20,982,842	22,674,939	3,713,334	47,371,115
Change in net assets from operating activities	$ 1,238,982	$ 2,013,816	$ (109,151)	$ 3,143,647

Support and Administration	Totals
$ 188,256	$ 38,626,342
372,757	12,280,558
398,512	510,869
-	56,518
959,525	51,474,287
2,619,243	26,491,462
1,991	2,373,495
595,846	5,844,295
128,121	1,100,261
1,140,012	5,188,323
25,635	1,689,666
244,272	1,215,369
570	9,116
50	569,307
110,633	123,159
118,776	285,868
72,740	671,048
135,056	812,912
85,676	871,135
93,063	642,889
86,999	192,240
(4,648,422)	-
38,593	139,424
848,854	48,219,969
$ 110,671	$ 3,254,318

The Arc Baltimore, Inc.

Schedule of Foster Care and Treatment
Foster Care Revenue and Expenses
Year Ended June 30, 2023

	Treatment Foster Care	
	Actual	Budget (Unaudited)
Revenue:		
Fee for service	$ 1,258,563	$ 1,278,400
	1,258,563	1,278,400
Allowable expenses:		
Administrative and support services	90,596	135,400
Assistance	556,834	576,300
Contracted services	13,995	7,700
Depreciation	2,632	2,000
Dues, memberships and licenses	5,246	4,100
Equipment rental and lease repairs	3,664	4,100
Food	41	200
Fringe benefits	64,378	75,100
Insurance	4,022	4,800
Miscellaneous	9,143	2,500
Repairs and maintenance	5,155	4,800
Salary	312,903	350,500
Supplies	1,590	3,400
Travel and transportation	8,729	9,000
Utility	11,051	10,100
Total allowable expenses	1,089,979	1,190,000
Excess of revenue over allowable expenses	168,584	88,400
Excess of revenue over expenses	$ 168,584	$ 88,400
Child care months	288	
Actual cost of care per month	$ 3,785	
Contracted monthly fees	$ 4,373	Treatment rate
Conversion of revenue from accrual basis to cash basis:		
Fee for service revenue—accrual basis	$ 1,258,563	
Fee for service receivable, beginning balance	123,027	
Fee for service receivable, ending balance	(143,195)	
Write-off of foster care balances	(9,046)	
Fee for service revenue—cash basis	$ 1,229,349	