

THE ARC OF SOUTH CAROLINA, INC.
Cayce, South Carolina

ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended
June 30, 2022 and 2021

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to the Financial Statements	8-17

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November 8, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Arc of South Carolina, Inc.
Cayce, South Carolina

Opinion

We have audited the accompanying financial statements of The Arc of South Carolina, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022, and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of The Arc of South Carolina, Inc. as of June 30, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc of South Carolina, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 of

South Carolina, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Arc of South Carolina, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of South Carolina, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

THE ARC OF SOUTH CAROLINA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 2,186,531	\$ 1,540,522
Restricted Cash	5,000	-
Accounts Receivable	186,356	-
Other Receivable	-	153,351
Investments:		
Money Market Funds	31,556	-
Stocks	168,255	-
Prepaid Expenses	14,957	11,776
Security Deposits	1,525	1,525
Total Current Assets	2,594,180	1,707,174
Funds Held in Trust - IMPACT Program	7,279	10,664
Furniture and Equipment, Net	5,924	10,639
Finance Lease Right of Use Asset, Net	2,064	3,066
TOTAL ASSETS	\$ 2,609,447	\$ 1,731,543
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 25,925	\$ 7,343
Payable to South Carolina - Department of Disabilities and Special Needs	10,000	10,000
Accrued Salaries and Employee Benefits	71,836	35,421
Deferred Revenue - Unearned Grant Revenue	5,000	-
Funds Held in Trust - IMPACT Program	7,279	10,664
Current Portion of Finance Lease Liability	1,032	1,002
Total Current Liabilities	121,072	64,430
Long-Term Liabilities		
Long-Term Finance Lease Liability	1,032	2,064
Total Long-Term Liabilities	1,032	2,064
Total Liabilities	122,104	66,494
Net Assets		
Without Donor Restrictions	2,487,343	1,665,049
Temporarily restricted		
Total Net Assets	2,487,343	1,665,049
TOTAL LIABILITIES AND NET ASSETS	\$ 2,609,447	\$ 1,731,543

The notes to the financial statements are an integral part of these statements.

THE ARC OF SOUTH CAROLINA, INC.
STATEMENTS OF ACTIVITIES
For The Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Changes in Net Assets Without Donor Restrictions		
Revenues and Other Support		
Public Support		
Service Coordination	\$ 2,274,202	\$ 1,443,221
Grant Awards	148,651	72,003
Grant - Paycheck Protection Program Loan Forgiveness	-	107,775
DDSN Enrollment	24,532	-
Enhanced Pay	16,299	-
Voc Rehab Revenue	480	260
Contributions	9,129	2,728
Interest Income	4,437	1,601
Net Realized/Unrealized (Loss) on Investments	(13,668)	-
Total Revenues and Other Support Without Donor Restrictions	2,464,062	1,627,588
Expenses		
Program Services	1,605,448	1,032,527
General and Administration	36,320	28,192
Total Expenses	1,641,768	1,060,719
Increase in Net Assets Without Donor Restrictions	822,294	566,869
Net Assets Without Donor Restrictions, Beginning of Year	1,665,049	1,098,180
Net Assets Without Donor Restrictions, End of Year	\$ 2,487,343	\$ 1,665,049

The notes to the financial statements are an integral part of these statements.

THE ARC OF SOUTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Fiscal Year Ended June 30, 2022

	Program Services	Administrative	Fundraising	Total
Personnel	\$ 1,225,591	\$ 7,461	\$ -	\$ 1,233,052
Employee Benefits	101,599	725	-	102,324
Contractual Services	27,601	20,260	-	47,861
Depreciation	4,715	-	-	4,715
Disability Advocacy Day	1,863	-	-	1,863
Events	30	-	-	30
Telephone and Internet	11,708	-	-	11,708
Travel and Training	41,840	-	-	41,840
Meals	4,123	-	-	4,123
Dues and Subscriptions	11,335	-	-	11,335
Miscellaneous	-	843	-	843
Interest - Finance Lease	78	-	-	78
Amortization - Finance Lease Right of Use	1,002	-	-	1,002
Office Expense and Postage	3,957	-	-	3,957
Rental	15,600	-	-	15,600
SLED Checks	480	-	-	480
Supplies	30,147	589	-	30,736
Insurance	50,627	-	-	50,627
Summer Support Funds Expenses	10,009	-	-	10,009
Family Support Funds Expenses	60,058	-	-	60,058
Utilities	3,085	1,517	-	4,602
Web Development and Support	-	4,925	-	4,925
Total Expenses Included in the Expenses Section of the Statements of Activities	<u>\$ 1,605,448</u>	<u>\$ 36,320</u>	<u>\$ -</u>	<u>\$ 1,641,768</u>

The notes to the financial statements are an integral part of these statements.

THE ARC OF SOUTH CAROLINA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Fiscal Year Ended June 30, 2021

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 784,265	\$ 6,034	\$ -	\$ 790,299
Employee Benefits	66,222	570	-	66,792
Contractual Services	2,268	15,885	-	18,153
Depreciation	4,381	-	-	4,381
Disability Advocacy Day	141	-	-	141
Events	900	-	-	900
Telephone and Internet	8,832	-	-	8,832
Travel and Training	25,506	-	-	25,506
Meals	1,245	-	-	1,245
Dues and Subscriptions	11,086	342	-	11,428
Miscellaneous	782	1,110	-	1,892
Interest - Finance Lease	107	-	-	107
Amortization - Finance Lease Right of Use	973	-	-	973
Office Expense and Postage	3,376	-	-	3,376
Rental	15,600	-	-	15,600
SLED Checks	70	-	-	70
Supplies	20,496	10	-	20,506
Insurance	38,342	-	-	38,342
Summer Support Funds Expenses	40	-	-	40
Family Support Funds Expenses	44,366	-	-	44,366
Utilities	3,520	1,277	-	4,797
Web Development and Support	9	2,964	-	2,973
	<u>9</u>	<u>2,964</u>	<u>-</u>	<u>2,973</u>
Total Expenses Included in the Expenses Section of the Statements of Activities	<u>\$ 1,032,527</u>	<u>\$ 28,192</u>	<u>\$ -</u>	<u>\$ 1,060,719</u>

The notes to the financial statements are an integral part of these statements.

THE ARC OF SOUTH CAROLINA, INC.
STATEMENTS OF CASH FLOWS
For The Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 822,294	\$ 566,869
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Noncash Paycheck Protection Program Loan Forgiveness	-	(107,775)
Depreciation	4,715	4,381
Changes in Operating Assets and Liabilities		
Accounts Receivable	(186,356)	(44,040)
Other Receivable	153,351	-
Prepaid Expenses	(3,181)	364
Accounts Payable	18,582	(1,457)
Accrued Salaries and Employee Benefits	36,415	9,973
Deferred Revenue	5,000	(10,946)
Net Cash Provided by Operating Activities	850,820	417,369
Cash Flows From Investing Activities		
Purchase of Long Term Investments	(199,811)	-
Net Cash Provided (Used) by Investing Activities	(199,811)	-
Net Increase in Cash	651,009	417,369
Cash, Beginning of Year	1,540,522	1,123,153
Cash, End of Year	\$ 2,191,531	\$ 1,540,522
Cash as Reported on Statements of Financial Position		
Cash	\$ 2,186,531	\$ 1,540,522
Restricted Cash	5,000	-
Total Cash as Reported on Statements of Cash Flows	\$ 2,191,531	\$ 1,540,522

The notes to the financial statements are an integral part of these statements.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021

Note 1. Summary of Significant Accounting Policies

A. Nature of Operations

The Arc of South Carolina (the “Arc”) was incorporated on October 3, 1957, as a statewide organization. With their office in Cayce, South Carolina, the organization acts as an advocate for the rights and full participation of persons with intellectual and developmental disabilities. The Arc accomplishes this mission by providing information and referral services, by acting as a liaison to service-providing agencies and related groups, and by maintaining community support groups for the families affected.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of Accounting Standards Codification (ASC). Accordingly, these reports reflect all significant receivables, payables, and other liabilities. The accrual basis of accounting recognizes revenues when they are earned. Expenses are recognized when incurred.

C. Financial Statement Presentation

Under professional standards, not-for-profit organizations are required to provide a statement of financial position, a statement of activities and a statement of functional expenses that reports expenses by both functional and natural classifications. Classification of an organization's net assets and its revenue, expenses, and gains and losses are based on the existence or absence of donor-imposed restrictions. The Organization 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. All net assets held by the Organization at June 30, 2022, and 2021, are classified as net assets without donor restrictions.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Arc defines cash and cash equivalents to include demand deposits, restricted cash and short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Arc considers accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements. If any balances remain outstanding after management has used reasonable collection efforts, those balances would be written off with a charge to operations.

F. Furniture and Equipment

A fixed asset is a tangible asset purchased for use in the daily operations of The Arc of South Carolina from which an economic benefit will be derived over a period greater than one year. Fixed assets include equipment, furniture and technology related equipment. Fixed assets are capitalized on the date of acquisition if the invoice price is equal to or greater than \$1,000. Furniture and equipment acquired by purchase are stated at cost. Furniture and equipment acquired by donation are stated at fair market value at date of donation. Depreciation is computed principally using the straight-line method over estimated useful lives ranging from five to twenty years and charged to operations. Expenditures for maintenance and repairs are charged to operations as incurred and costs of major additions and improvements are capitalized. The cost of property assets retired or otherwise disposed of and the related allowances are eliminated from the respective accounts. Gains or losses resulting from such dispositions are reflected in current income.

G. Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Program grant revenues received before the eligibility requirements are met are recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, or when the Organization has a legal claim to the grant proceeds, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

H. Restricted and Unrestricted Revenue

Under professional standards, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

I. Donated Services

The Organization records donated services of individuals if the services create or enhance nonfinancial assets or if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased in not provided by donation. No donated services were recognized during the current audit period.

J. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program and supporting services as appropriate. Administration, general and fundraising expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of the Organization.

K. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities and the reported amounts of revenues and expenses and disclosures. The most significant use of estimates is in recording depreciation and the allocation of functional expenses between program, administrative and fundraising categories.

L. Tax Exempt Status and Income Tax

The Organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities which may be subject to income tax. Therefore, the Arc has made no provisions for federal or state income tax in the accompanying financial statements. The Arc's is subject to routine audits by taxing authorities; however, there are no audits for any tax periods currently in progress. Management believes it is no longer subject to income tax examinations for years prior to the 2019 tax year.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

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

Note 2. Service Coordination (Case Management) Services

The Organization has a contract agreement with the South Carolina Department of Disabilities and Special Needs (DDSN). This contract states that DDSN will provide payments to the Arc for service coordination services to individuals requiring services who are eligible consumers of the DDSN. The Service Coordination Services contract is renewed annually. The current contract was renewed on July 1, 2021, expires on June 30, 2022, and was renewed July 1, 2022, and shall continue in full force through June 30, 2023. The amount recognized as service coordination fees was \$2,274,202 and \$1,443,221 during the years ended June 30, 2022, and June 30, 2021, respectively.

Note 3. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, The Arc of South Carolina's deposits may not be returned to them. The Organization does not have a deposit policy for custodial credit risk. At June 30, 2022, the Organization had approximately \$755,004 cash in excess of the \$250,000 federally insured limit.

Note 4. Investments

The Arc of South Carolina carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income, gains and losses restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income, gains and losses are recognized.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

Investments were comprised of the following:

	<u>Carrying Value</u> <u>June 30, 2022</u>	<u>Carrying Value</u> <u>June 30, 2021</u>
Investments:		
Money Market Funds	\$ 31,556	\$ -
Stocks	<u>168,255</u>	<u>-</u>
 Total Investments	 <u>\$ 199,811</u>	 <u>\$ -</u>

Note 5. Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2022, are as follows:

FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable and have the lowest priority. The Arc of South Carolina uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Arc of South Carolina measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 inputs were available to the Arc.

Level 1 Fair Value Measurements

The fair value of investments is based on quoted net asset values of the shares held by The Arc at year-end.

	<u>Fair Value</u>	<u>Quoted Prices</u> <u>In Active Markets</u> <u>For Identical Assets</u> <u>(Level 1)</u>
Investments:		
Money Market Funds	\$ 31,556	\$ 31,556
Stocks	<u>168,255</u>	<u>168,255</u>
 Total Investments	 <u>\$ 199,811</u>	 <u>\$ 199,811</u>

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

Note 6. Furniture and Equipment

Furniture and equipment recorded at cost or fair value when donated and accumulated depreciation is as follows as of June 30:

	<u>06/30/2022</u>	<u>06/30/2021</u>
Furniture and Equipment	\$ 23,209	\$ 23,209
Leasehold Improvement	5,000	5,000
Vehicles	5,350	5,350
Less: Accumulated Depreciation	<u>(27,635)</u>	<u>(22,920)</u>
Furniture and Equipment, net	<u>\$ 5,924</u>	<u>\$ 10,639</u>

Depreciation expense was \$4,715 and \$4,381 for the years ended June 30, 2022, and June 30, 2021, respectively.

Note 7. Funds Held in Trust

In February 2014, the Arc agreed to accept and administer funds on behalf of IMPACT South Carolina. The agreement stipulates that the Arc will serve as the fiscal agent for a funding arrangement between Self Advocates Becoming Empowered (SABE) and IMPACT South Carolina. The funds are held with a financial institution in a bank account in the name of the Arc. Total funds held for the benefit of others under this program totaled \$7,279 and \$10,664 as of June 30, 2022, and June 30, 2021, respectively.

Note 8. Paycheck Protection Program (PPP) Note Payable

The Company applied for and received a Paycheck Protection Program ("PPP") loan under a new federal program designed to support small businesses during the pandemic. The PPP loan program was part of the CARES Act, which was signed into law on March 27, 2020, and is being implemented by the SBA with cooperation from private banks. PPP loans may be fully or partially forgiven by application to the SBA if proceeds are expended based on federal guidelines. Management applied for the PPP loan to fund payroll and other allowable costs while the Company responded to government restrictions on business operations and anticipated reduced revenues from the economic downturn associated with the pandemic. A loan in the amount of \$107,775 was received and deposited during April 2020. The PPP loan was paid in full by the SBA during January 2021, therefore per FASB ASC 958-605: Government Grant Model and IAS 20: Government Grant Accounting and Disclosure, the full amount has been reported on the statement of activities as grant revenue – PPP loan forgiveness during the fiscal year ended June 30, 2021.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

Note 9. Concentrations with Governmental Agencies

The Arc received approximately 99% and 93% of its support and revenue from local and state governments for the fiscal year ended June 30, 2022, and June 30, 2021, respectively. Any significant reduction in the level of governmental support could have a significant effect on the Arc's programs and activities.

Note 10. Operating Lease

The Arc leases office spaces that are currently on a month-to-month lease contract. Rental expense for those leases consisted of \$15,600 and \$15,600 for the years ended June 30, 2022, and 2021, respectively.

Note 11. Finance Lease Right of Use Asset

The Arc has one non-cancelable financing lease which expires in June 2024. See Note 14 for current accounting pronouncement ASU 2016-02. Under ASU 2106-02, The Arc is to record this lease as a Finance Lease Right of Use Asset with the following presentation on the financial statements:

	June 30, 2022	June 30, 2021
Statement of Financial Position:		
Finance Lease Right of Use Asset	\$ 4,996	\$ 4,996
Less: Accumulated Amortization-Finance Lease	(2,932)	(1,930)
Finance Lease Right of Use Asset, Net	\$ 2,064	\$ 3,066
Current Portion of Finance Lease Liability	\$ 1,032	\$ 1,002
Long-Term Finance Lease Liability	1,032	2,064
Total Liability	\$ 2,064	\$ 3,066
Statement of Functional Expenses:		
Interest - Finance Lease	\$ 78	\$ 107
Amortization - Finance Lease Right of Use	1,002	973
Total Expense	\$ 1,080	\$ 1,080

Note 12. Retirement Plans

Effective March 1, 2018, the Organization has a SIMPLE retirement plan for all eligible employees. The Organization matches 100% of the employees' contribution up to a maximum of 3% of employee compensation or the applicable federal limit.

Note 13. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

Note 14. Change in Accounting Principle for New Pronouncement

Current Accounting Pronouncements

Effective for the fiscal year ended June 30, 2021, The Arc adopted a change in accounting principle in accordance with Statement on Auditing Standards (“SAS”) 134, Auditor Opinions on Financial Statements: Additional Disclosure and Reporting Requirements. The revisions in SAS 134 are intended to enhance the communicative value and relevance of the auditor’s report.

Effective for the fiscal year ended June 30, 2022, The Arc of South Carolina adopted a change in accounting principle in accordance with Accounting Standards Update (“ASU”) No. 2016-02, Leases, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company is required to record a “right of use” asset and a lease liability payable.

Note 15. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of acting as an advocate for the rights and full participation of persons with intellectual and developmental disabilities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

The following table reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date.

THE ARC OF SOUTH CAROLINA, INC.
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Years Ended June 30, 2022 and 2021
(Continued)

	2022
Financial assets at year-end:	
Cash and Cash Equivalents	\$ 2,186,531
Restricted Cash	5,000
Accounts Receivable	186,356
Investments	199,811
Total financial assets	2,577,698
Less those unavailable for general expenditures within one year, due to:	
Accounts Payable and Accrued Expenses	97,761
Deferred Revenue - for restricted grants	5,000
Current Portion of Finance Lease Liability	1,032
Financial Assets not Available to be Used Within One Year	103,793
Financial assets available to meet cash need for general expenditures within one year	\$ 2,473,905

Note 16. Date of Management Review

Management has evaluated events subsequent to the balance sheet date through November 8, 2022, which is the date the financial statements were available to be issued. The Arc is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

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November 8, 2022

To the Board of Directors
The Arc of South Carolina, Inc.
1202 12th Street
Cayce, South Carolina 29033

We have audited the financial statements of The Arc of South Carolina, Inc. for the year ended June 30, 2022, and have issued our report thereon dated November 8, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Arc of South Carolina are described in Note 1 to the financial statements. As described in Note 14, the Organization changed accounting policies related to leases to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by adopting ASU No. 2016-02 during the fiscal year ended June 30, 2022. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's allocations of functional expenses are based on management using the best information available to allocate expenses among program services, administrative and

fundraising. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure concerning Concentrations with Governmental Agencies in Note 9 to the financial statements explains that the Organization received 99% of its support and revenue from one governmental source. Any significant reduction in the level of governmental support could have a significant effect on the Organization's programs and activities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. See Attachment A for a listing of misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors of the Arc of South Carolina and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Sheheen, Hancock & Godwin, LLP
Camden, South Carolina