



LOFTIS & LOVATO

— G R O U P —

CERTIFIED PUBLIC ACCOUNTANTS



Consolidated Financial Statements
and
Independent Auditor's Report

June 30, 2023 and 2022

ARCA

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Independent Auditor's Report

To the Board of Directors and management of ARCA

Opinion

We have audited the accompanying consolidated financial statements of ARCA (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ARCA 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. 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 ARCA 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ARCA's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 ARCA'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ARCA'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.

Reports on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities on pages 36 through 47 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Loftis & Lovato Group

Albuquerque, New Mexico
January 3, 2024

Consolidated Financial Statements

ARCA
Consolidated Statements of Financial Position
June 30,

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 5,230,485	\$ 6,805,757
Accounts receivable	2,672,032	2,660,646
Unconditional promises to give	18,569	17,067
Prepaid expenses	266,117	485,348
Total current assets	8,187,203	9,968,818
Property, furniture and equipment, net	9,746,912	9,085,669
Other Assets		
Restricted deposits and funded reserves		
Cash held in trust for persons served	3,213,864	3,190,864
Real estate	1,123,875	1,123,875
Investment - quasi endowment	4,351,366	3,807,886
Investment - endowment	1,075,708	875,708
Accrued interest and other assets	-	1,600
Total other assets	9,764,813	8,999,933
Total assets	\$ 27,698,928	\$ 28,054,420

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statements of Financial Position - continued
June 30,

	2023	2022
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 631,589	\$ 763,149
Accrued liabilities:		
Salaries and payroll taxes	443,851	1,102,888
Compensated absences	957,549	821,325
Mortgage interest	-	6,414
Deferred revenue	80,034	77,310
Current portion of long-term debt	205,251	203,758
Total current liabilities	2,318,274	2,974,844
Long-term Liabilities		
Long-term debt, less current portion	1,207,748	1,423,874
Cash held in trust for persons served	2,760,391	2,824,788
Other long-term liabilities	7,785	8,305
Total long-term liabilities	3,975,924	4,256,967
Total liabilities	6,294,198	7,231,811
Net assets		
Without donor restriction		
Undesignated	15,524,183	15,644,630
Board designated - quasi endowment	4,351,366	3,807,886
Total unrestricted	19,875,549	19,452,516
With donor restriction	1,529,181	1,370,093
Total net assets	21,404,730	20,822,609
Total liabilities and net assets	\$ 27,698,928	\$ 28,054,420

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Totals</u>
Revenue and Public Support			
Revenue			
Medicaid waiver	\$ 13,452,699	\$ -	\$ 13,452,699
Medicaid ICF/IID	8,313,410	-	8,313,410
Fees and rent	<u>1,259,428</u>	<u>-</u>	<u>1,259,428</u>
Total Medicaid, fees, and rent	23,025,537	-	23,025,537
Public support			
Government funding:			
New Mexico Department of Health and Human Services	425,262	-	425,262
New Mexico Children, Youth and Families Department	815,655	-	815,655
Bernalillo County	410,453	-	410,453
NM Department of Transportation	115,202	-	115,202
Contracts	2,984,972	-	2,984,972
Contributions	417,453	287,396	704,849
Grants	<u>301,730</u>	<u>-</u>	<u>301,730</u>
Total public support	<u>5,470,727</u>	<u>287,396</u>	<u>5,758,123</u>
Other income			
Investment income:			
Endowment fund	569,286	-	569,286
Interest income from cash and cash equivalents	1,020	-	1,020
Gain on sale of real estate and other	822,802	-	822,802
Contracts and sales	<u>138,427</u>	<u>-</u>	<u>138,427</u>
Total other income	<u>1,531,535</u>	<u>-</u>	<u>1,531,535</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>128,308</u>	<u>(128,308)</u>	<u>-</u>
Total revenue and public support	<u>30,156,107</u>	<u>159,088</u>	<u>30,315,195</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Activities – continued
For the Year Ended June 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Totals</u>
Expenses			
Program services:			
Community services	14,654,121	-	14,654,121
InterCare	8,347,132	-	8,347,132
Neuro enterprises	<u>2,271,519</u>	-	<u>2,271,519</u>
Total program expenses	<u>25,272,772</u>	-	<u>25,272,772</u>
Supporting services:			
Management and general	4,366,892	-	4,366,892
Fundraising	<u>93,410</u>	-	<u>93,410</u>
Total supporting expenses	<u>4,460,302</u>	-	<u>4,460,302</u>
Total expenses	<u>29,733,074</u>	-	<u>29,733,074</u>
Change in net assets	423,033	159,088	582,121
Net assets, beginning of year	<u>19,452,516</u>	<u>1,370,093</u>	<u>20,822,609</u>
Net assets, end of year	<u>\$ 19,875,549</u>	<u>\$ 1,529,181</u>	<u>\$ 21,404,730</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Totals</u>
Revenue and Public Support			
Revenue			
Medicaid waiver	\$ 14,313,552	\$ -	\$ 14,313,552
Medicaid ICF/IID	9,281,716	-	9,281,716
Fees and rent	<u>1,364,266</u>	<u>-</u>	<u>1,364,266</u>
Total Medicaid, fees, and rent	24,959,534	-	24,959,534
Public support			
Government funding:			
New Mexico Department of Health and Human Services	651,371	-	651,371
New Mexico Children, Youth and Families Department	937,338	-	937,338
Bernalillo County	503,790	-	503,790
Contracts	2,406,974	-	2,406,974
Contributions	933,092	306,086	1,239,178
Grants	<u>274,694</u>	<u>-</u>	<u>274,694</u>
Total public support	<u>5,707,259</u>	<u>306,086</u>	<u>6,013,345</u>
Other income			
Investment loss:			
Endowment fund	(712,472)	-	(712,472)
Interest income from cash and cash equivalents	102	-	102
Gain on sale of real estate and other	679,557	-	679,557
Contracts and sales	<u>200,969</u>	<u>-</u>	<u>200,969</u>
Total revenue	<u>168,156</u>	<u>-</u>	<u>168,156</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and public support	<u>30,834,949</u>	<u>306,086</u>	<u>31,141,035</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Activities – continued
For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Totals
Expenses			
Program services:			
Community services	14,497,108	-	14,497,108
InterCare	7,862,789	-	7,862,789
Neuro enterprises	1,792,375	-	1,792,375
Total program expenses	<u>24,152,272</u>	<u>-</u>	<u>24,152,272</u>
Supporting services:			
Management and general	4,341,462	-	4,341,462
Fundraising	105,327	-	105,327
Total supporting expenses	<u>4,446,789</u>	<u>-</u>	<u>4,446,789</u>
Total expenses	<u>28,599,061</u>	<u>-</u>	<u>28,599,061</u>
Change in net assets	2,235,888	306,086	2,541,974
Net assets, beginning of year	<u>17,216,628</u>	<u>1,064,007</u>	<u>18,280,635</u>
Net assets, end of year	<u>\$ 19,452,516</u>	<u>\$ 1,370,093</u>	<u>\$ 20,822,609</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services			Total Program Services
	Community Services	InterCare	Neuro Enterprises	
Salaries, taxes and benefits	\$ 10,342,786	\$ 6,830,146	\$ 1,727,551	\$ 18,900,483
Expenses for persons served	2,520,350	549,685	120,825	3,190,860
Facilities	1,106,937	627,242	266,641	2,000,820
Contractual services	176,364	140,271	40,319	356,954
Transportation	416,687	144,656	90,062	651,405
Office expenses	83,582	50,456	20,954	154,992
Public relations	7,415	4,676	5,167	17,258
Total expenses	\$ 14,654,121	\$ 8,347,132	\$ 2,271,519	\$ 25,272,772

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Functional Expenses - continued
For the Year Ended June 30, 2023

	Support Services			
	Management and General	Fundraising	Total Supporting Services	Totals
Salaries, taxes and benefits	\$ 2,761,035	\$ 62,199	\$ 2,823,234	\$ 21,723,717
Expenses for persons served	65,930	-	65,930	3,256,790
Facilities	386,116	-	386,116	2,386,936
Contractual services	852,481	-	852,481	1,209,435
Transportation	3,662	-	3,662	655,067
Office expenses	269,354	-	269,354	424,346
Public relations	28,314	31,211	59,525	76,783
Total expenses	<u>\$ 4,366,892</u>	<u>\$ 93,410</u>	<u>\$ 4,460,302</u>	<u>\$ 29,733,074</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Total Program Services
	Community Services	InterCare	Neuro Enterprises	
Salaries, taxes and benefits	\$ 10,570,920	\$ 6,397,419	\$ 1,376,815	\$ 18,345,154
Expenses for persons served	2,200,367	523,871	85,039	2,809,277
Facilities	1,177,572	653,872	226,661	2,058,105
Contractual services	29,465	63,455	25,069	117,989
Transportation	424,460	136,943	52,474	613,877
Office expenses	88,213	81,958	22,905	193,076
Public relations	6,111	5,271	3,412	14,794
Total expenses	\$ 14,497,108	\$ 7,862,789	\$ 1,792,375	\$ 24,152,272

The accompanying notes are an integral part of these financial statements.

ARCA
Consolidated Statement of Functional Expenses - continued
For the Year Ended June 30, 2022

	<u>Support Services</u>		Total Supporting Services	Totals
	<u>Management and General</u>	<u>Fundraising</u>		
Salaries, taxes and benefits	\$ 2,861,627	\$ 68,875	\$ 2,930,502	\$ 21,275,656
Expenses for persons served	28,230	-	28,230	2,837,507
Facilities	338,095	-	338,095	2,396,200
Contractual services	881,120	-	881,120	999,109
Transportation	16,787	-	16,787	630,664
Office expenses	197,905	-	197,905	390,981
Public relations	17,698	36,452	54,150	68,944
Total expenses	<u>\$ 4,341,462</u>	<u>\$ 105,327</u>	<u>\$ 4,446,789</u>	<u>\$ 28,599,061</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Statements of Cash Flows
For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from government funding	\$ 22,997,844	\$ 24,797,557
Cash received from contributions	1,005,077	1,514,000
Cash received from other sources	5,029,975	4,583,905
Cash paid to employees	(22,252,944)	(21,285,930)
Cash paid to suppliers	(7,228,880)	(6,702,685)
Investment income	84,724	63,574
Interest paid	(77,683)	(96,984)
Net cash provided (used) by operating activities	<u>(441,887)</u>	<u>2,873,437</u>
Cash flows from investing activities		
Proceeds from sales of investments	67,041	71,293
Purchase of investments	(324,939)	(567,846)
Purchase of property, furniture and equipment	(1,616,671)	(1,391,078)
Proceeds from the sales of property and equipment	955,817	755,000
Net cash used by investing activities	<u>(918,752)</u>	<u>(1,132,631)</u>
Cash flows from financing activities		
Mortgage and line of credit repayments	(214,633)	(725,876)
Net cash used by financing activities	<u>(214,633)</u>	<u>(725,876)</u>
Net increase (decrease) in cash and cash equivalents	(1,575,272)	1,014,930
Cash and cash equivalents, beginning of year	<u>6,805,757</u>	<u>5,790,827</u>
Cash and cash equivalents, end of year	<u>\$ 5,230,485</u>	<u>\$ 6,805,757</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Statements of Cash Flows – continued
For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Change in net assets	<u>\$ 582,121</u>	<u>\$ 2,541,974</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	702,520	660,240
Unrealized (gain)/loss on investments	(448,839)	907,461
Realized (gain) on investments	(36,743)	(131,517)
Gain on sale of real estate	(702,909)	(570,376)
Change in assets and liabilities:		
Accounts receivable	(11,386)	(369,512)
Unconditional promises to give	(1,502)	128
Prepaid expenses	219,231	(84,393)
Cash held in trust for persons served	(23,000)	452,701
Accrued interest and other assets	1,600	(1,275)
Accounts payable	(131,560)	193,485
Accrued liabilities	(529,227)	(10,274)
Cash held in trust for persons served	(64,397)	(698,297)
Deferred revenue and other long-term liabilities	<u>2,204</u>	<u>(16,908)</u>
Total adjustments	<u>(1,024,008)</u>	<u>331,463</u>
Net cash provided (used) by operating activities	<u>\$ (441,887)</u>	<u>\$ 2,873,437</u>

The accompanying notes are an integral part of these financial statements.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

1) Nature of Organization

ARCA is a not-for-profit corporation that was originally founded in 1957 by a group of parents desiring community-based opportunities for their family members with developmental disabilities. ARCA is dedicated to providing premier services to approximately 600 individuals with developmental disabilities in the Albuquerque area and provides services to approximately 60 individuals statewide as part of New Mexico's Prader Willi Project. ARCA's primary program activities are divided into three divisions: InterCare, Community Services, and Neuro Enterprises. InterCare provides 24-hour residential services along with employment services at their La Paloma Greenhouses. Community Services provides various community living options, family living services and employment and other community inclusion opportunities. The Neuro Enterprises primarily provides rehabilitative services to persons with brain injuries.

ARCA Foundation (the "Foundation") conducts fundraising for the purpose of providing financial resources to ARCA.

The board of directors of ARCA appoints the board of directors of the Foundation and can remove them at any time with a majority vote.

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements referred to as "ARCA" present the consolidated financial position, changes in net assets, cash flows and functional expense of ARCA and the Foundation. All significant intercompany accounts and transactions have been eliminated. ARCA has board control and economic interest in the Foundation. Accordingly, the Foundation's financial statements have been consolidated with ARCA's financial statements.

ARCA follows the accounting and reporting standards required by *Not for Profit* Entities. Generally accepted accounting standards require ARCA to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets Without Donor Restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ARCA. These net assets may be used at the discretion of management and the board of directors.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Basis of Presentation - continued

Net Assets With Donor Restriction: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ARCA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The accounting records supporting the accompanying consolidated financial statements are organized on the basis of divisions. The revenues and expenditures of each division are accounted for separately. The divisional revenues and expenses are consolidated into a single set of accounts that summarize ARCA's assets, liabilities and net assets. Divisions maintained are InterCare, Community Services and Neuro enterprises.

Use of Estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued liabilities, and other liabilities approximate fair value due to short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest. For purposes of the consolidated statements of cash flows, ARCA does not consider restricted deposits, or tenant deposits to be cash or cash equivalents. Cash is defined as amounts held in checking accounts, savings accounts, and money market funds. A cash equivalent is a highly liquid investment having an original maturity of three months or less. Liquid investments are defined as those investments with a remaining maturity of one year or less and include certain types of fixed income investments such as CDs, U.S. Treasury and agency debt securities. ARCA maintains a portion of its cash and cash equivalents in bank deposit accounts, which, at times, exceed federally insured limits. ARCA has not experienced any losses in such accounts.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Accounts Receivable

ARCA's primary income source is from Medicaid funds, which are received after the service is performed. Accounts receivable are stated at the amount management expects to collect from outstanding balances due from the state and other fees for service contracts. Individual accounts are evaluated and determined delinquent based on known facts and circumstances. Management believes all accounts receivable are collectible, and as a result, no allowance has been recorded.

Investments

Investments in marketable securities with readily-determinable fair values and all investments in debt securities are reported at fair values in the consolidated statements of financial position.

Income Taxes

ARCA and the Foundation are non-profit corporations and qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are classified as other than private foundations. As such, their normal activities not directly related to ARCA's tax exempt purpose is subject to taxation as unrelated business income. There was no taxable unrelated business income for the years ended June 30, 2023 and 2022.

ARCA files information tax returns as prescribed by the tax laws of the jurisdictions in which it operates. ARCA's income tax filings are subject to audit by various taxing authorities. As of June 30, 2023, ARCA's open audit periods are for the year ended June 30, 2020 and thereafter.

ARCA believes that it has appropriate support for any tax position taken as such, and does not have any uncertain tax positions that are material to the financial statements.

Property, Furniture and Equipment

ARCA has a Board adopted capitalization policy. Property, furniture and equipment over \$5,000 are capitalized at cost or, if donated, at fair market value at the day of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives for buildings are 30 years, building improvements and leasehold improvements range from 5 to 30 years, furnishings and equipment ranges from 3 to 10 years and vehicles have estimated useful lives of 5 years.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of

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

Revenue Recognition

ARCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donation. All other gifts of cash or other assets are reported as increases to net assets without donor restriction. Donor-restricted contributions are reported as increases in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restriction.

Revenues on fee-for-service contracts and Medicaid revenue are recognized when the services are provided to the persons served. Such revenue is subject to audit by the grantor or funding agency and could result in a request for reimbursement. In the event that it may be determined that ARCA receives Medicaid payments in excess of the agreed-upon contract rates, these amounts would be due back to Medicaid. It is management's opinion that amounts, if any, that may be found to be refundable would not be significant and, therefore, would be charged against income in the period detected.

Promises to Give

Unconditional promises to give are recognized as revenue in the period awarded. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Endowment Fund

ARCA has adopted generally accepted accounting standards as they related to *Endowment of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, which includes the following financial statement disclosure requirements for ARCA for the years ended June 30, 2023 and 2022.

Classification of Net Assets – Endowment funds are used to account for investments in which the principal is restricted or Board-designated for a specific purpose.

Interpretation of Relevant Law – ARCA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ARCA classifies as net assets with donor restriction: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with restriction until those amounts are appropriated for expenditure by ARCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ARCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from the income and the appreciation of investments, (6) other resources of ARCA and (7) ARCA investment policies.

La Paloma and Greenhouses

ARCA operates greenhouses that provide vocational training to persons served. Items produced in the greenhouses are sold to the public. Gross revenue, as defined by the IRS, generated by the La Paloma Greenhouse does not generate unrelated business income.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Deferred Revenue

Income from Children, Youth and Family Department (CYFD) related to respite care and private pay is deferred and recognized when the service is provided. Advance payments for camp fees are deferred until the event occurs.

Donated Services and Materials

Contributions of services and materials are recognized in the accompanying consolidated financial statements in accordance with ASC 958-605 if the services received enhance or create non-financial assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restriction. In the absence of any donor stipulations regarding how long donated assets must be maintained, ARCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ARCA reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Fair Value of Financial Instruments

ARCA adopted generally accepted accounting standards as they relate to fair value measurement which provides a framework for measuring fair value under GAAP and expands disclosures about fair value measurement. Generally accepted accounting standards defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These standards require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standards also establish a fair value hierarchy, which priorities the valuation inputs into three level inputs that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments - continued

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, prepayment speeds, loss credit risk, etc.).

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data and assumptions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Pooled Trust-Units held in pooled separate accounts are valued using the net asset value (NAV) of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of units outstanding. The net asset value of the pooled separate account is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and considered Level 2 of the valuation hierarchy. ARCA invests in the following pooled investment funds:

Albuquerque Community Foundation – Fund strategy is long-term capital appreciation without undue risk to principal, capital appreciation by investing primarily in securities of emerging or other growth-oriented companies.

Trading Securities – Value at the closing price reported on the major market on which the individual securities are traded.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Fair Value of Financial Instruments – continued

Fixed Income Securities – Valued at the closing price reported on the major market on which the individual securities are traded.

Mutual Funds – Valued at the net asset value (NAV) of shares held at year end using prices quoted by relevant pricing agent.

There are three general valuation techniques that may be used to measure fair value, as described below:

Market Approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

Cost Approach – Based on the amount that currently would be required to replace the service capital of an asset (replacement cost).

Income Approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Unrealized gains and losses are included in investment income or loss in the accompanying consolidated statements of activities.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Significant expenses that are allocated include the following:

Expense	Allocation Method
Salaries, taxes and benefits	Time and effort
Expenses for persons served	Specific identification
Facilities	Specific identification
Contractual services	Specific identification
Transportation	Specific identification
Office expenses	Specific identification
Public relations	Specific identification

Advertising and Marketing

Advertising costs included in public relations expense, are expensed when the advertising first takes place. Advertising expense was approximately \$21,000 and \$26,000 for the years ended June 30, 2023 and 2022, respectively.

Revenue Recognition

ARCA has adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires ARCA to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which ARCA expects to be entitled in exchange for those goods and services.

Medicaid waiver and Medicaid ICF/IID contracts are for living supports, community supports, employment services, case management services and other services. These services are billed monthly after services are rendered.

New Mexico Department of Health and Human Services contracts are for community-based services and supports for individuals with developmental disabilities. These services are billed monthly after services are rendered.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Revenue Recognition – continued

Private contracts are for residential client services related to rehabilitation. These services are billed monthly after services are rendered.

Fees and rent are for residential services in the ARCA homes. The fees funded by private pay are billed monthly after services are rendered.

Contracts and sales are for janitorial services and green house sales. The janitorial services are billed monthly after services are rendered. The green house sales revenue is recorded when the sale is made.

Receivables from exchange transactions for the previous year collected during the years ended June 30, 2023 and 2022, were \$2,660,646 and \$2,291,134, respectively. The accounts receivable at June 30, 2023 and 2022 were \$2,672,032 and \$2,660,646, respectively, (see note 4 for additional information).

3) **Fair Value Measurements**

Assets itemized below were measured at fair value during the year ended June 30, 2023 using the market approach for Level 1 and Level 2 inputs.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investment in community funds			
Pooled trust	\$ -	\$ 947,427	\$ 947,427
Trading securities			
Equities	3,255,787	-	3,255,787
Total equities	3,255,787	-	3,255,787
Fixed income securities			
Alternative	503,344	-	503,344
Pooled fixed income funds	582,912	-	582,912
Total fixed income securities	1,086,256	-	1,086,256
Cash and cash equivalents	137,604	-	137,604
Total investments	<u>\$ 4,479,647</u>	<u>\$ 947,427</u>	<u>\$ 5,427,074</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

3) Fair Value Measurements - continued

Assets itemized below were measured at fair value during the year ended June 30, 2022 using the market approach for Level 1 and Level 2 inputs.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Investment in community funds			
Pooled trust	\$ -	\$ 901,509	\$ 901,509
Trading securities			
Equities	2,520,675	-	2,520,675
Total equities	2,520,675	-	2,520,675
Fixed income securities			
Alternative	432,708	-	432,708
Pooled fixed income funds	546,270	-	546,270
Total fixed income securities	978,978	-	978,978
Cash and cash equivalents	282,432	-	282,432
Total investments	\$ 3,782,085	\$ 901,509	\$ 4,683,594

Investments at June 30, are shown on the consolidated statements of financial position as follows:

	2023	2022
Quasi endowment	\$ 4,351,366	\$ 3,807,886
Restricted endowment	1,075,708	875,708
	\$ 5,427,074	\$ 4,683,594

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

3) Fair Value Measurements - continued

Investment income (loss) as shown on the consolidated statements of activities is comprised of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 83,704	\$ 92,414
Net realized and unrealized gains (losses)	485,582	(775,944)
Investment fees	-	(28,942)
	<u><u>\$ 569,286</u></u>	<u><u>\$ (712,472)</u></u>

4) **Accounts Receivable**

Accounts receivable were as follows at June 30:

	<u>2023</u>	<u>2022</u>
New Mexico Department of Health and Human Services:		
Medicaid waiver	\$ 1,010,761	\$ 1,491,115
Medicaid ICF/IID	818,714	736,919
General fund	26,006	45,583
New Mexico Children, Youth and Families Department:		
Family-based services	90,647	99,755
Other	<u>725,904</u>	<u>287,274</u>
Total accounts receivable	<u><u>\$ 2,672,032</u></u>	<u><u>\$ 2,660,646</u></u>

At June 30, 2023, \$80,944 of accounts receivable were outstanding over 90 days. At June 30, 2022, there were no receivables outstanding over 90 days.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

5) Restricted Deposits

ARCA serves as the custodian for certain funds that ARCA holds in trust for persons served. These funds are recorded as an asset and liability on the consolidated statements of financial position and are not available for use in ARCA's operations.

6) Property, Furniture and Equipment

At June 30, property, furniture and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Building	\$ 9,186,722	\$ 9,490,810
Vehicles	3,374,406	3,287,091
Building improvements	5,633,406	4,495,664
Furnishing and equipment	958,961	930,382
Other	<u>15,351</u>	<u>15,351</u>
	19,168,846	18,219,298
Less accumulated depreciation	<u>12,151,829</u>	<u>11,915,692</u>
	7,017,017	6,303,606
Land	2,655,415	2,713,415
Construction in progress	<u>74,480</u>	<u>68,648</u>
Property, furniture and equipment, net	<u>\$ 9,746,912</u>	<u>\$ 9,085,669</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

7) Debt

ARCA had mortgages payable for the purchase of residential homes and office space, all secured by land and buildings, as follows at June 30:

	2023	2022
Mortgages payable to a mortgage company due in monthly installments ranging from \$262 to \$1,683, including interest at 4.50% - 4.875%, with final payments due between September 2024 and July 2025	\$ 178,407	\$ 320,993
Mortgages payable to a bank, due in monthly installments ranging from \$910 to \$10,551, including interest at 4.95% - 5.08%, with final payments due July 2035	<u>1,234,592</u>	<u>1,306,639</u>
	1,412,999	1,627,632
Less current portion	<u>205,251</u>	<u>203,758</u>
	<u>\$ 1,207,748</u>	<u>\$ 1,423,874</u>

Future minimum principal payments are as follows:

<u>Year ending June 30</u>		
2024	\$	205,251
2025		126,862
2026		85,639
2027		88,382
2028		92,913
Thereafter		813,952
	\$	<u>1,412,999</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

8) Leases

ARCA leases a building used to provide care to individuals under a month-to-month operating lease agreement. Monthly rent payments were approximately \$2,200 and \$2,500 for the years ended June 30, 2023 and 2022. Rental expense under this operating lease was approximately \$22,000 and \$30,000 for the years ended June 30, 2023 and 2022, respectively. ARCA also leases printers on monthly lease agreements.

9) Concentrations

ARCA places its cash with financial institutions and investment brokerage firms. Cash with financial institutions is federally insured and cash held by brokerage firms is insured by the investment brokerage firm. Cash held by community foundations is insured by the community foundations' brokerage firms.

ARCA receives a significant portion of its revenues from Medicaid waiver and Medicaid ICF/IID and is, therefore, subject to possible cutbacks due to changes in funding priorities. During the years ended June 30, 2023 and 2022, ARCA received approximately 72% and 74%, respectively, of its gross public support and revenues from Medicaid waiver and Medicaid ICF/IID. Accounts receivable for the Medicaid waiver and Medicaid ICF/IID represented approximately 68% and 84% of total accounts receivable, respectively, at June 30, 2023 and 2022.

10) Net Assets With Donor Restriction

Net assets with donor restriction consist of donations restricted for purpose and time restrictions of \$453,473 and \$494,385 at June 30, 2023 and 2022, respectively. These purpose restrictions were for specific ARCA programs and projects. Additionally, ARCA has a restricted endowment of \$1,075,708 and \$875,708 at June 30, 2023 and 2022, respectively.

Net assets released from restriction during the year ended June 30, 2023 were \$128,308. The release from restriction was primarily for program support. There were no net assets released from restriction during the year ended June 30, 2022.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10) Net Assets With Donor Restriction - continued

Net assets with donor restriction also consist of donations made to an endowment fund. The purpose of the endowment fund is to provide a permanent source of capital for future needs. ARCA has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to achieve a return consistent with the level of risk authorized by the investment policy that provide optimum growth consistent with a long-term time horizon. The investment policy establishes that the assets will be invested in a pooled fund and the risk tolerance of the pooled fund will be monitored annually. If at any time the risk tolerance is not aligned with the investment policy objectives, the funds will be redirected. The current return objective over a complete business cycle (three to five years) is for an overall annualized return, after deducting transaction costs and advisory, money manager and custodial fees, equal to or above the benchmark index for the pooled fund of the assets. On an annual basis, the Board of Directors may elect to withdraw up to five percent of the average market value based on the previous twelve quarters. The withdrawals are to be used for ARCA's programs as determined by the Board of Directors.

Endowment fund composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 3,807,886	\$ 875,708	\$ 4,683,594
Investment return			
Interest income	84,406	-	84,406
Net appreciation - realized and unrealized	522,850	-	522,850
	4,415,142	875,708	5,290,850
Contributions	3,265	200,000	203,265
Amounts appropriated for expenditure	(67,041)	-	(67,041)
Endowment net assets, end of year	<u>\$ 4,351,366</u>	<u>\$ 1,075,708</u>	<u>\$ 5,427,074</u>

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10) Net Assets With Donor Restriction – continued

Endowment fund composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 4,087,277	\$ 875,708	\$ 4,962,985
Investment return			
Interest income	56,687	-	56,687
Net depreciation - realized and unrealized	(697,673)	-	(697,673)
	3,446,291	875,708	4,321,999
Contributions	432,888	-	432,888
Amounts appropriated for expenditure	(71,293)	-	(71,293)
Endowment net assets, end of year	<u>\$ 3,807,886</u>	<u>\$ 875,708</u>	<u>\$ 4,683,594</u>

11) Designation of Net Assets Without Donor Restriction

During the year ended June 30, 2014, the board of directors established a quasi-endowment with a significant contribution from one contributor. The quasi-endowment of \$4,351,366 and \$3,807,886 is recorded as board designated net assets without restriction at June 30, 2023 and 2022, respectively. This board designation can be changed by a majority vote of the board of directors.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12) Retirement Plan

ARCA employees have the option of participating in the 401(k) plan, a defined contribution plan, which began operation on September 5, 2014. ARCA's 401(k) Plan (the "Plan") covers all employees eligible for Plan participation. There is no service requirement for employee pre-tax deferrals. ARCA matches participants' contributions to the Plan up to 4% of the individual participant's compensation. Total expense for each of the years ended June 30, 2023 and 2022, was approximately \$562,000 and \$520,000, respectively.

13) Compensated Absences

Full-time and part-time regular employees earn from 15 to 25 days of Paid Time Off (PTO) each year. ARCA's compensated absence policy allows regular employees to accumulate a maximum of 320 hours of PTO for employees who work 40 hours per week or pro-rated for part-time employees. Leave in excess of the maximum hours will not be paid out to employees annually, but instead will be transferred into a Long-Term PTO (LTPTO) bank which can only be used for designated Family Medical Leave. An employee's LTPTO will be capped at five weeks of leave (200 hours) for full-time and pro-rated for part-time employees. Annually, on July 1, unused excess LTPTO beyond the cap will be forfeited by the employee. Employees who resign or are terminated shall be paid for all unused PTO up to 320 hours at their current rate of pay. Unused accrued LTPTO will not be payable upon separation.

ARCA accrues the cost incurred for PTO as obligations of unrestricted net assets. At June 30, 2023 and 2022, ARCA had accrued approximately \$958,000 and \$821,000, respectively.

14) Donated Services, Materials, Property and Equipment

ARCA received donated supplies for program services during the year ended June 30, 2023 and 2022 of approximately \$45,000 and \$26,000, respectively.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

15) Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the financial statements are issued or are available to be issued. ARCA recognized in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. ARCA's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of financial position but arose after the financial position date and before the consolidated financial statements are available to be issued.

ARCA has evaluated subsequent events through January 3, 2024, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require accrual or disclosure in the consolidated financial statements.

Employee Retention Credit

The Employee Retention Credit (ERC) is a complex refundable tax credit for businesses and tax-exempt organizations that kept paying employees during the COVID-19 pandemic either when they were shut down due to a government order or when they had a significant decline in gross receipts during certain eligibility periods in 2020 and 2021.

ARCA applied for the ERC and received one payment of \$2,884,000 in August 2023. These payment received will be recognized in the year the payment is received.

16) Recently Issued Accounting Pronouncements

Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statements of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities.

At June 30, 2023, ARCA had no significant leases that were required to be accounted for under ASU-2016-02 *Leases*.

ARCA
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

17) Liquidity and Availability

ARCA's working capital and cash flows have seasonal variations during the year. To manage liquidity ARCA maintains a cash balance in the operating account to meet daily expenditures as they come due. ARCA's financial assets available within one year of the statement of financial position date for general expenditures were as follows at June 30,:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,230,485	\$ 6,805,757
Investments	5,427,074	4,683,594
Receivables	2,690,601	2,677,713
Restricted deposits and funds held for others	<u>3,213,864</u>	<u>3,190,864</u>
Total financial assets	16,562,024	17,357,928
Less those unavailable for general expenditures within one year	<u>(8,640,938)</u>	<u>(7,874,458)</u>
Financial assets available to meet cash needs for expenses within one year	<u>\$ 7,921,086</u>	<u>\$ 9,483,470</u>

Consolidating Financial Statements

ARCA
Consolidating Statement of Financial Position
June 30, 2023

	ARCA	Foundation	Eliminating Entries	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 4,427,300	\$ 803,185	\$ -	\$ 5,230,485
Accounts receivable	2,692,032	-	(20,000)	2,672,032
Unconditional promises to give	-	18,569	-	18,569
Prepaid expenses	266,117	-	-	266,117
Total current assets	<u>7,385,449</u>	<u>821,754</u>	<u>(20,000)</u>	<u>8,187,203</u>
Property, furniture and equipment, net	<u>9,701,512</u>	<u>45,400</u>	<u>-</u>	<u>9,746,912</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	238,050	2,975,814	-	3,213,864
Real estate	-	1,123,875	-	1,123,875
Investment - quasi endowment	-	4,351,366	-	4,351,366
Investment - endowment	-	1,075,708	-	1,075,708
Total other assets	<u>238,050</u>	<u>9,526,763</u>	<u>-</u>	<u>9,764,813</u>
Total assets	<u>\$ 17,325,011</u>	<u>\$ 10,393,917</u>	<u>\$ (20,000)</u>	<u>\$ 27,698,928</u>

ARCA
Consolidating Statement of Financial Position - continued
June 30, 2023

	ARCA	Foundation	Eliminating Entries	Consolidated
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 630,238	\$ 21,351	\$ (20,000)	\$ 631,589
Accrued liabilities:				
Salaries and payroll taxes	443,851	-	-	443,851
Compensated absences	957,549	-	-	957,549
Deferred revenue	80,034	-	-	80,034
Current portion of long-term debt	205,251	-	-	205,251
Total current liabilities	<u>2,316,923</u>	<u>21,351</u>	<u>(20,000)</u>	<u>2,318,274</u>
Long-term Liabilities				
Long-term debt, less current portion	1,207,748	-	-	1,207,748
Cash held in trust for persons served	238,050	2,522,341	-	2,760,391
Other long-term liabilities	7,785	-	-	7,785
Total long-term liabilities	<u>1,453,583</u>	<u>2,522,341</u>	<u>-</u>	<u>3,975,924</u>
Total liabilities	<u>3,770,506</u>	<u>2,543,692</u>	<u>(20,000)</u>	<u>6,294,198</u>
Net assets				
Without donor restriction				
Undesignated	13,554,505	1,969,678	-	15,524,183
Board designated - quasi endowment	-	4,351,366	-	4,351,366
Total without donor restriction	<u>13,554,505</u>	<u>6,321,044</u>	<u>-</u>	<u>19,875,549</u>
With donor restriction	-	1,529,181	-	1,529,181
Total net assets	<u>13,554,505</u>	<u>7,850,225</u>	<u>-</u>	<u>21,404,730</u>
Total liabilities and net assets	<u>\$ 17,325,011</u>	<u>\$ 10,393,917</u>	<u>\$ (20,000)</u>	<u>\$ 27,698,928</u>

ARCA
Consolidating Statement of Activities
For the Year Ended June 30, 2023

	ARCA Without Donor Restriction	ARCA With Donor Restriction	<u>Totals</u>
Revenue and Public Support			
Revenue			
Medicaid waiver	\$ 13,452,699	\$ -	\$ 13,452,699
Medicaid ICF/IID	8,313,410	-	8,313,410
Fees and rent	<u>1,259,428</u>	-	<u>1,259,428</u>
Total Medicaid, fees, and rent	<u>23,025,537</u>	<u>-</u>	<u>23,025,537</u>
Public support			
Government funding:			
New Mexico Department of Health and Human Services	425,262	-	425,262
New Mexico Children, Youth and Families Department	815,655	-	815,655
Bernalillo County	410,453	-	410,453
New Mexico Department of Transportation	115,202	-	115,202
Contracts	2,984,972	-	2,984,972
Contributions	10,000	-	10,000
Grants	<u>497,420</u>	-	<u>497,420</u>
Total public support	<u>5,258,964</u>	<u>-</u>	<u>5,258,964</u>
Other Income			
Investment income:			
Endowment fund	-	-	-
Interest income from cash and cash equivalents	1,020	-	1,020
Gain on sale of real estate and other	751,908	-	751,908
Contracts and sales	<u>137,264</u>	-	<u>137,264</u>
Total other income	<u>890,192</u>	<u>-</u>	<u>890,192</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenue and public support	 <u>29,174,693</u>	 <u>-</u>	 <u>29,174,693</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2023

Foundation Without Donor Restriction	Foundation With Donor Restricted	Totals	Eliminating Entries	Totals
\$ -	\$ -	\$ -	\$ -	\$ 13,452,699
-	-	-	-	8,313,410
-	-	-	-	1,259,428
-	-	-	-	23,025,537
-	-	-	-	425,262
-	-	-	-	815,655
-	-	-	-	410,453
-	-	-	-	115,202
-	-	-	-	2,984,972
452,689	287,396	740,085	(45,236)	704,849
-	-	-	(195,690)	301,730
452,689	287,396	740,085	(240,926)	5,758,123
569,286	-	569,286	-	569,286
-	-	-	-	1,020
70,894	-	70,894	-	822,802
1,163	-	1,163	-	138,427
641,343	-	641,343	-	1,531,535
128,308	(128,308)	-	-	-
1,222,340	159,088	1,381,428	(240,926)	30,315,195

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2023

	ARCA Without Donor Restriction	ARCA With Donor Restriction	<u>Totals</u>
Expenses			
Program services:			
Community services	14,654,121	-	14,654,121
InterCare	8,347,132	-	8,347,132
Neuro enterprises	<u>2,271,519</u>	-	<u>2,271,519</u>
Total program expenses	<u>25,272,772</u>	-	<u>25,272,772</u>
Supporting services:			
Management and general	4,195,172	-	4,195,172
Fundraising	<u>10,988</u>	-	<u>10,988</u>
Total supporting expenses	<u>4,206,160</u>	-	<u>4,206,160</u>
Total expenses	<u>29,478,932</u>	-	<u>29,478,932</u>
Change in net assets	(304,239)	-	(304,239)
Net assets, beginning of year	<u>13,858,744</u>	-	<u>13,858,744</u>
Net assets, end of year	<u>\$ 13,554,505</u>	<u>\$ -</u>	<u>\$ 13,554,505</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2023

Foundation Without Donor Restriction	Foundation With Donor Restriction	Totals	Eliminating Entries	Totals
240,926	-	240,926	(240,926)	14,654,121
-	-	-	-	8,347,132
-	-	-	-	2,271,519
<u>240,926</u>	<u>-</u>	<u>240,926</u>	<u>(240,926)</u>	<u>25,272,772</u>
171,720	-	171,720	-	4,366,892
<u>82,422</u>	<u>-</u>	<u>82,422</u>	<u>-</u>	<u>93,410</u>
<u>254,142</u>	<u>-</u>	<u>254,142</u>	<u>-</u>	<u>4,460,302</u>
<u>495,068</u>	<u>-</u>	<u>495,068</u>	<u>(240,926)</u>	<u>29,733,074</u>
727,272	159,088	886,360	-	582,121
<u>5,593,772</u>	<u>1,370,093</u>	<u>6,963,865</u>	<u>-</u>	<u>20,822,609</u>
<u>\$ 6,321,044</u>	<u>\$ 1,529,181</u>	<u>\$ 7,850,225</u>	<u>\$ -</u>	<u>\$ 21,404,730</u>

ARCA
Consolidating Statement of Financial Position
June 30, 2022

	ARCA	Foundation	Eliminating Entries	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 6,077,898	\$ 727,859	\$ -	\$ 6,805,757
Accounts receivable	2,660,646	-	-	2,660,646
Unconditional promises to give	-	17,067	-	17,067
Prepaid expenses	485,348	-	-	485,348
Total current assets	<u>9,223,892</u>	<u>744,926</u>	<u>-</u>	<u>9,968,818</u>
Property, furniture and equipment, net	<u>9,040,269</u>	<u>45,400</u>	<u>-</u>	<u>9,085,669</u>
Other Assets				
Restricted deposits and funded reserves				
Cash held in trust for persons served	239,705	2,951,159	-	3,190,864
Real Estate	-	1,123,875	-	1,123,875
Investment - quasi endowment	-	3,807,886	-	3,807,886
Investment - endowment	-	875,708	-	875,708
Accrued interest and other assets	1,600	-	-	1,600
Total other assets	<u>241,305</u>	<u>8,758,628</u>	<u>-</u>	<u>8,999,933</u>
Total assets	<u>\$ 18,505,466</u>	<u>\$ 9,548,954</u>	<u>\$ -</u>	<u>\$ 28,054,420</u>

ARCA
Consolidating Statement of Financial Position – continued
June 30, 2022

	ARCA	Foundation	Eliminating Entries	Consolidated
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 763,143	\$ 6	\$ -	\$ 763,149
Accrued liabilities:				
Salaries and payroll taxes	1,102,888	-	-	1,102,888
Compensated absences	821,325	-	-	821,325
Mortgage interest	6,414	-	-	6,414
Deferred revenue	77,310	-	-	77,310
Current portion of long-term debt	203,758	-	-	203,758
Total current liabilities	<u>2,974,838</u>	<u>6</u>	<u>-</u>	<u>2,974,844</u>
Long-term Liabilities				
Long-term debt, less current portion	1,423,874	-	-	1,423,874
Cash held in trust for persons served	239,705	2,585,083	-	2,824,788
Other long-term liabilities	8,305	-	-	8,305
Total long-term liabilities	<u>1,671,884</u>	<u>2,585,083</u>	<u>-</u>	<u>4,256,967</u>
Total liabilities	<u>4,646,722</u>	<u>2,585,089</u>	<u>-</u>	<u>7,231,811</u>
Net assets				
Without donor restriction				
Undesignated	13,858,744	1,785,886	-	15,644,630
Board designated - quasi endowment	-	3,807,886	-	3,807,886
Total without donor restriction	<u>13,858,744</u>	<u>5,593,772</u>	<u>-</u>	<u>19,452,516</u>
With donor restriction	-	1,370,093	-	1,370,093
Total net assets	<u>13,858,744</u>	<u>6,963,865</u>	<u>-</u>	<u>20,822,609</u>
Total liabilities and net assets	<u>\$ 18,505,466</u>	<u>\$ 9,548,954</u>	<u>\$ -</u>	<u>\$ 28,054,420</u>

ARCA
Consolidating Statement of Activities
For the Year Ended June 30, 2022

	ARCA Without Donor <u>Restriction</u>	ARCA With Donor <u>Restriction</u>	<u>Totals</u>
Revenue and Public Support			
Revenue			
Medicaid waiver	\$ 14,313,552	\$ -	\$ 14,313,552
Medicaid ICF/IID	9,281,716	-	9,281,716
Fees and rent	<u>1,364,266</u>	<u>-</u>	<u>1,364,266</u>
Total Medicaid, fees, and rent	24,959,534	-	24,959,534
Public support			
Government funding:			
New Mexico Department of Health and Human Services	651,371	-	651,371
New Mexico Children, Youth and Families Department	937,338	-	937,338
Bernalillo County	503,790	-	503,790
Contracts	2,406,974	-	2,406,974
Contributions	25,850	-	25,850
Grants	<u>1,050,427</u>	<u>-</u>	<u>1,050,427</u>
Total public support	<u>5,575,750</u>	<u>-</u>	<u>5,575,750</u>
Other Income			
Investment income:			
Endowment fund	-	-	-
Interest income from cash and cash equivalents	102	-	102
Gain on sale of real estate and other	604,984	-	604,984
Contracts and sales	<u>200,969</u>	<u>-</u>	<u>200,969</u>
Total other income	<u>806,055</u>	<u>-</u>	<u>806,055</u>
Net Assets Released from Restrictions			
Donor and time restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and public support	<u>31,341,339</u>	<u>-</u>	<u>31,341,339</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2022

Foundation Without Donor Restriction	Foundation With Donor Restriction	Totals	Eliminating Entries	Totals
\$ -	\$ -	\$ -	\$ -	\$ 14,313,552
-	-	-	-	9,281,716
-	-	-	-	1,364,266
-	-	-	-	24,959,534
-	-	-	-	651,371
-	-	-	-	937,338
-	-	-	-	503,790
-	-	-	-	2,406,974
933,092	306,086	1,239,178	(25,850)	1,239,178
-	-	-	(775,733)	274,694
933,092	306,086	1,239,178	(801,583)	6,013,345
(712,472)	-	(712,472)	-	(712,472)
-	-	-	-	102
74,573	-	74,573	-	679,557
-	-	-	-	200,969
(637,899)	-	(637,899)	-	168,156
-	-	-	-	-
295,193	306,086	601,279	(801,583)	31,141,035

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2022

	ARCA	ARCA	
	Without Donor	With Donor	
	<u>Restriction</u>	<u>Restriction</u>	<u>Totals</u>
Expenses			
Program services:			
Community services	14,497,108	-	14,497,108
InterCare	7,862,789	-	7,862,789
Neuro enterprises	<u>1,792,375</u>	<u>-</u>	<u>1,792,375</u>
Total program expenses	<u>24,152,272</u>	<u>-</u>	<u>24,152,272</u>
Supporting services:			
Management and general	4,259,430	-	4,259,430
Fundraising	<u>45,497</u>	<u>-</u>	<u>45,497</u>
Total supporting expenses	<u>4,304,927</u>	<u>-</u>	<u>4,304,927</u>
Total expenses	<u>28,457,199</u>	<u>-</u>	<u>28,457,199</u>
Change in net assets	2,884,140	-	2,884,140
Net assets, beginning of year	<u>10,974,604</u>	<u>-</u>	<u>10,974,604</u>
Net assets, end of year	<u>\$ 13,858,744</u>	<u>\$ -</u>	<u>\$ 13,858,744</u>

ARCA
Consolidating Statement of Activities - continued
For the Year Ended June 30, 2022

Foundation Without Donor Restriction	Foundation With Donor Restriction	Totals	Eliminating Entries	Totals
801,583	-	801,583	(801,583)	14,497,108
-	-	-	-	7,862,789
-	-	-	-	1,792,375
<u>801,583</u>	<u>-</u>	<u>801,583</u>	<u>(801,583)</u>	<u>24,152,272</u>
82,032	-	82,032	-	4,341,462
<u>59,830</u>	<u>-</u>	<u>59,830</u>	<u>-</u>	<u>105,327</u>
<u>141,862</u>	<u>-</u>	<u>141,862</u>	<u>-</u>	<u>4,446,789</u>
<u>943,445</u>	<u>-</u>	<u>943,445</u>	<u>(801,583)</u>	<u>28,599,061</u>
(648,252)	306,086	(342,166)	-	2,541,974
<u>6,242,024</u>	<u>1,064,007</u>	<u>7,306,031</u>	<u>-</u>	<u>18,280,635</u>
<u>\$ 5,593,772</u>	<u>\$ 1,370,093</u>	<u>\$ 6,963,865</u>	<u>\$ -</u>	<u>\$ 20,822,609</u>