THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
JUNE 30, 2016 AND 2015

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Contents
June 30, 2016 and 2015

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Unmodified Opinion on Combined Financial Statements Accompanied by Other Information – Not-For-Profit Entity

Independent Auditor's Report

To the Board of Directors of
The Charles River Association for Retarded Citizens, Inc.
d/b/a The Charles River Center and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The Charles River Association for Retarded Citizens, Inc. d/b/a The Charles River Center and Affiliates (Massachusetts corporations, not for profit) (collectively, the Agency) which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to on page one present fairly, in all material respects, the combined financial position of The Charles River Association for Retarded Citizens, Inc. d/b/a The Charles River Center and Affiliates as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Additionally, the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2016, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
October 25, 2016

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Current Assets:		
Cash and cash equivalents	$ 3,243,185	$ 2,568,860
Current portion of restricted cash	259,295	196,520
Accounts receivable, net of allowance for doubtful accounts of approximately $25,000 at June 30, 2016 and 2015	2,959,327	2,436,386
Prepaid expenses and other	272,342	263,797
Total current assets	6,734,149	5,465,563
Certificate of Deposit	118,985	117,901
Restricted Cash, net of current portion	40,294	43,358
Investments	10,079,367	10,109,154
Construction in Progress	1,060,786	7,125
Property and Equipment, net	15,141,541	15,060,235
Total assets	$ 33,175,122	$ 30,803,336
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	$ 329,847	$ 308,592
Accounts payable, accrued expenses and other	2,024,312	1,878,990
Total current liabilities	2,354,159	2,187,582
Mortgage Notes Payable, net of current portion	4,920,227	4,072,041
Total liabilities before conditional debt	7,274,386	6,259,623
Conditional Debt	885,755	885,755
Total liabilities	8,160,141	7,145,378
Net Assets:		
Unrestricted:		
Operating	7,517,214	12,876,287
Board designated	7,000,000	609,141
Property and equipment	6,890,615	6,565,378
Total unrestricted	21,407,829	20,050,806
Temporarily restricted	3,562,152	3,562,152
Permanently restricted	45,000	45,000
Total net assets	25,014,981	23,657,958
Total liabilities and net assets	$ 33,175,122	$ 30,803,336

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

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statements of Activities
For the Years Ended June 30, 2016 and 2015

	2016	2015
Unrestricted Net Assets:		
Operating support and revenue:		
Contract revenue and program service fees	$ 23,707,286	$ 22,204,458
Fundraising revenue	441,501	385,656
Investment income, net of fees	368,866	335,163
Commercial products and services	235,767	231,955
Grants	42,323	49,753
Other	28,059	11,255
Total operating support and revenue	24,823,802	23,218,240
Operating expenses:		
Program services:		
Residential	12,793,917	12,207,366
Day activities	5,862,887	5,454,133
Family support	2,203,606	1,882,883
Total program services	20,860,410	19,544,382
Supporting services:		
General and administrative	2,204,866	2,024,376
Fundraising	212,574	201,854
Total supporting services	2,417,440	2,226,230
Total operating expenses	23,277,850	21,770,612
Changes in unrestricted net assets from operations	1,545,952	1,447,628
Non-operating revenue:		
Net unrealized/realized losses on investments	(188,929)	(256,416)
Changes in net assets	$ 1,357,023	$ 1,191,212

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statements of Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2014	$ 18,859,594	$ 3,562,152	$ 45,000	$ 22,466,746
Changes in net assets	1,191,212	-	-	1,191,212
Balance, June 30, 2015	20,050,806	3,562,152	45,000	23,657,958
Changes in net assets	1,357,023	-	-	1,357,023
Balance, June 30, 2016	$ 21,407,829	$ 3,562,152	$ 45,000	$ 25,014,981

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

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Changes in net assets	$ 1,357,023	$ 1,191,212
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,029,003	947,214
Bad debts	101,400	7,672
Net realized losses on investments	188,929	256,416
Changes in operating assets and liabilities:		
Accounts receivable	(624,341)	736,454
Prepaid expenses and other	(8,545)	(11,795)
Accounts payable, accrued expenses and other	149,041	204,691
Net cash provided by operating activities	2,192,510	3,331,864
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(1,113,278)	(794,842)
Cash paid for construction in progress	(1,054,411)	(7,125)
Purchases of investments	(3,470,383)	(2,421,069)
Proceeds from sales of investments	3,311,241	771,769
Net (increase) decrease in restricted cash	(59,711)	27,381
Net (increase) decrease in certificate of deposit	(1,084)	36,480
Net cash used in investing activities	(2,387,626)	(2,387,406)
Cash Flows from Financing Activities:		
Principal payments of mortgage notes payable	(316,809)	(310,136)
Proceeds from issuance of mortgage notes payable	1,186,250	-
Net cash provided by (used in) financing activities	869,441	(310,136)
Net Change in Cash and Cash Equivalents	674,325	634,322
Cash and Cash Equivalents:		
Beginning of year	2,568,860	1,934,538
End of year	$ 3,243,185	$ 2,568,860
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 127,997	$ 123,541
Supplemental Disclosure of Non-Cash Transactions:		
Construction in progress placed in service	$ 750	$ 544,491

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Summarized Comparative Totals for the Year Ended June 30, 2015)

	2016								2015
	Program Services				Supporting Services				
	Residential	Day Activities	Family Support	Total Program Services	General and Adminis-trative	Fundraising	Total Supporting Services	Total	Total
Operating Expenses:									
Personnel costs:									
Salaries and wages	$ 8,106,996	$ 3,640,966	$ 913,479	$ 12,661,441	$ 1,086,188	$ 78,506	$ 1,164,694	$ 13,826,135	$ 13,040,073
Employee benefits	1,301,601	596,354	78,043	1,975,998	181,776	1,139	182,915	2,158,913	1,989,443
Payroll taxes	777,589	342,457	87,269	1,207,315	92,584	7,781	100,365	1,307,680	1,199,902
Total personnel costs	10,186,186	4,579,777	1,078,791	15,844,754	1,360,548	87,426	1,447,974	17,292,728	16,229,418
Occupancy	816,925	587,867	94,143	1,498,935	8,027	4,966	12,993	1,511,928	1,502,601
Depreciation	618,403	135,881	11,072	765,356	99,320	-	99,320	864,676	782,758
Program and office support	400,571	107,111	50,665	558,347	211,683	1,756	213,439	771,786	767,214
Stipends	-	-	638,045	638,045	-	-	-	638,045	509,463
Contracted services	80,903	160,301	234,015	475,219	-	-	-	475,219	321,358
Professional fees	-	-	-	-	359,124	18,139	377,263	377,263	292,854
Transportation	192,000	106,827	7,438	306,265	33,994	-	33,994	340,259	331,902
Food	303,979	-	-	303,979	-	-	-	303,979	382,710
Program supplies	111,776	74,841	63,025	249,642	3,896	-	3,896	253,538	302,611
Interest	58,665	5,395	-	64,060	41,937	-	41,937	105,997	123,541
Bad debts	2,954	92,363	1,969	97,286	4,114	-	4,114	101,400	7,672
Fundraising expenses	-	-	-	-	-	94,701	94,701	94,701	87,794
Staff travel and training	14,820	12,524	24,443	51,787	27,757	3,211	30,968	82,755	63,150
Miscellaneous	6,735	-	-	6,735	54,466	2,375	56,841	63,576	65,566
Total operating expenses	$ 12,793,917	$ 5,862,887	$ 2,203,606	$ 20,860,410	$ 2,204,866	$ 212,574	$ 2,417,440	$ 23,277,850	$ 21,770,612

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services				Supporting Services			
	Residential	Day Activities	Family Support	Total Program Services	General and Adminis-trative	Fundraising	Total Supporting Services	Total
Operating Expenses:								
Personnel costs:								
Salaries and wages	$ 7,622,826	$ 3,409,573	$ 863,824	$ 11,896,223	$ 1,072,723	$ 71,127	$ 1,143,850	$ 13,040,073
Employee benefits	1,275,471	527,840	72,922	1,876,233	112,419	791	113,210	1,989,443
Payroll taxes	716,526	306,701	81,458	1,104,685	88,291	6,926	95,217	1,199,902
Total personnel costs	9,614,823	4,244,114	1,018,204	14,877,141	1,273,433	78,844	1,352,277	16,229,418
Occupancy	807,725	589,643	91,333	1,488,701	3,788	10,112	13,900	1,502,601
Depreciation	578,574	113,408	5,836	697,818	84,940	-	84,940	782,758
Program and office support	316,627	170,290	47,369	534,286	230,043	2,885	232,928	767,214
Stipends	-	-	509,463	509,463	-	-	-	509,463
Contracted services	65,454	132,104	123,800	321,358	-	-	-	321,358
Professional fees	-	-	-	-	274,862	17,992	292,854	292,854
Transportation	176,813	115,440	6,369	298,622	33,280	-	33,280	331,902
Food	382,710	-	-	382,710	-	-	-	382,710
Program supplies	168,468	65,598	61,827	295,893	6,718	-	6,718	302,611
Interest	68,882	6,231	-	75,113	48,428	-	48,428	123,541
Bad debts	162	256	1,354	1,772	5,000	900	5,900	7,672
Fundraising expenses	-	-	-	-	-	87,794	87,794	87,794
Staff travel and training	19,398	9,772	14,410	43,580	18,894	676	19,570	63,150
Miscellaneous	7,730	7,277	2,918	17,925	44,990	2,651	47,641	65,566
Total operating expenses	$ 12,207,366	$ 5,454,133	$ 1,882,883	$ 19,544,382	$ 2,024,376	$ 201,854	$ 2,226,230	$ 21,770,612

1. OPERATIONS AND NONPROFIT STATUS

The Charles River Association for Retarded Citizens, Inc. d/b/a The Charles River Center (the Center) is a Massachusetts nonprofit corporation formed in 1964 to provide day, residential and educational services to developmentally disabled individuals. Its mission is to empower and support people with developmental disabilities by offering high-quality, individualized opportunities that foster independence and community inclusion.

The Center and its Affiliates, as defined below, are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Center and its Affiliates are also exempt from state income taxes. Donors may deduct contributions made to the Center and its Affiliates within IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The Agency prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of the Center and its Affiliates: Webster Street II, Inc., California Street Corporation, Marked Tree Corporation, CRARC, Inc., West Street Corporation, and Marshall Road, Inc. (collectively, the Affiliates). The Affiliates were established to provide disabled individuals with housing facilities and services specifically designed to meet their physical, social and psychological needs, and to promote their health, security, happiness, and usefulness in longer living.

The Center and the Affiliates are referred to collectively as “the Agency” in the accompanying combined financial statements. All significant intercompany transactions and balances have been eliminated in the accompanying combined financial statements.

Uncombined Affiliates

In January 2013, the Agency and eight other member organizations entered into an agreement to form an entity called The Resource Consortium, LLC (the LCC) to provide case management services for those eligible for both Medicaid and Medicare.

The Agency’s current investment of $8,000 is included in prepaid expenses and other in the accompanying combined statements of financial position as of June 30, 2016 and 2015. There were no amounts due to or from the LLC as of June 30, 2016 or 2015, or revenues earned or expenses incurred by the Agency for the LLC during either fiscal year 2016 or 2015. The Agency does not exercise control over the LLC and, accordingly, the LLC’s balance sheet and operating activities are not included in the accompanying combined financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contract revenue and program service fees are recorded as revenue when services are performed. Commercial products and services are recorded in the period products are sold or when services are rendered. Unrestricted grants are recorded as revenue when received or unconditionally pledged. Revenues from donor restricted grants are recorded as temporarily restricted revenue and net assets when the Agency receives a commitment. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined financial statements as net assets are released from restrictions, as costs are incurred, or time or program restrictions have lapsed. Donor restricted grants and pledges whose restrictions are met in the year they are received or pledged, are recorded as unrestricted net assets. All other revenues are recorded as earned.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets which are available for operations.

Board designated net assets represent amounts designated by the Board of Directors for specific purposes. These funds can be spent with the approval of the Board of Directors. Board designated net assets are comprised of the following at June 30:

	2016	2015
Operating Reserve	$ 4,000,000	$ -
Working Capital Reserve	3,000,000	-
Board Designated Fund	-	582,277
Bob Moore Scholarship Fund	-	26,864
	$ 7,000,000	$ 609,141

Property and equipment net assets represent amounts expended and resources available for property and equipment, restricted cash and construction in progress, net of related debt.

Temporarily Restricted Net Assets

The Agency receives grants that are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes.

Temporarily restricted net assets consist of capital advances (see Note 11) of $3,562,152 at June 30, 2016 and 2015.

Permanently Restricted Net Assets

Permanently restricted net assets are restricted by the donors against any expenditure of principal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and expenses in the accompanying combined statements of activities and changes in net assets. Non-operating revenue, consistent with industry practice, includes realized and unrealized gains and losses on investments (see Note 5).

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Estimates

The preparation of the combined financial statements in accordance with U.S. GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through October 25, 2016, which is the date the combined financial statements were available to be issued. See Note 15 for an event that met the criteria for recognition or disclosure in the combined financial statements.

Cash and Cash Equivalents

For the purpose of the combined statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except those funds that the Agency is required to maintain in separate funds (see Note 4) and amounts that are included in the Agency's investments (see Note 5).

Certificate of Deposit

At June 30, 2016 and 2015, the Agency held a certificate of deposit (CD) with an initial maturity of thirty-six months. The CD bears interest ranging from 0.90% and 1.0% at June 30, 2016 and 2015, respectively.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments in marketable securities are recorded in the combined financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 5).

Investments include endowment, as well as funds held by the Agency for long-term purposes and generally are not used for operations. Accordingly, these investments have been classified as non-current assets in the accompanying combined statements of financial position regardless of maturity or liquidity.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. At June 30, 2016 and 2015, renewals and betterments of $5,000 and $3,000, respectively, or more are capitalized, while repairs and maintenance are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives (see Note 6):

Buildings	20 - 40 years
Building and land improvements	3 - 20 years
Vehicles	3 - 5 years
Furniture and equipment	3 - 10 years

Accounts Receivable

Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Agency provides for losses on accounts receivable using the allowance method. The allowance is based on experience, payment terms, and other circumstances. It is the Agency's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Donated Services

The Agency receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying combined financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and the services do not meet the recognition criteria of *Accounting for Contributions Received and Contributions Made*.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2016 and 2015.

3. FUNDING AND CONCENTRATIONS

The Agency receives a significant portion of its total operating support and revenue (approximately 73% for the years ended June 30, 2016 and 2015) from the Massachusetts Department of Developmental Services (DDS), under unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by DDS. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Agency as of June 30, 2016 and 2015, or on its combined changes in its net assets for the years then ended.

Approximately 78% and 71% of the Agency's accounts receivable at June 30, 2016 and 2015, respectively, were due from DDS.

Approximately 12% and 11% of the Agency's total operating support and revenue for the years ended June 30, 2016 and 2015, respectively were from Medicaid.

4. RESTRICTED CASH

Restricted cash includes funds held under terms of agreements between the Affiliates and the U.S. Department of Housing and Urban Development (HUD) (see Note 11). These amounts are held in separate bank accounts and withdrawals are restricted for specific expenditures, some of which require HUD's approval. The balance also includes funds held in accordance with bond financing agreements (see Note 9), which is reflected as a long-term asset based on the nature of the account.

The balance of restricted cash consists of the following as of June 30:

	2016	2015
Current:		
Reserve for replacements	$ 234,525	$ 179,712
Residual receipts	13,707	3,205
Tenant security deposits	10,150	10,278
Other reserves	913	3,325
Total current	259,295	196,520
Long-term:		
Bond sinking fund (see Note 9)	40,294	43,358
	$ 299,589	$ 239,878

5. INVESTMENTS

The following is a summary of the investment portfolio as of June 30:

	2016	2015
Mutual funds:		
Stocks	$ 3,762,250	$ 3,971,373
Multi-strategy	2,870,053	2,908,118
Fixed income	1,571,079	1,515,089
Foreign stocks	1,546,097	546,653
Other	329,635	380,737
Total mutual funds	10,079,114	9,321,970
Money market account	253	787,184
	$ 10,079,367	$ 10,109,154

All assets are valued using Level 1 inputs (see Note 2).

5. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the accompanying combined statements of activities for the years ended June 30:

	2016	2015
Net unrealized/realized losses:		
Unrealized loss	$ (440,096)	$ (165,332)
Realized gain (loss)	251,167	(91,084)
Total net unrealized/realized losses	$ (188,929)	$ (256,416)
Investment income:		
Interest, dividends and mutual fund distributions	$ 367,722	$ 330,130
Other interest income	11,144	15,033
Investment fees	(10,000)	(10,000)
Total investment income, net of fees	$ 368,866	$ 335,163

Investments are not insured and are subject to ongoing market fluctuations.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2016	2015
Land	$ 2,871,511	$ 2,640,111
Building and building and land improvements	19,594,955	18,936,379
Vehicles	1,989,826	1,885,172
Furniture and equipment	1,292,157	1,225,077
	25,748,449	24,686,739
Less - accumulated depreciation	10,606,908	9,626,504
	$ 15,141,541	$ 15,060,235

Depreciation expense was $1,029,003 and $947,214 for the years ended June 30, 2016 and 2015, respectively, of which $164,327 and $164,456, respectively, are included in occupancy in the accompanying combined statements of functional expenses.

During fiscal year 2014, the Agency began renovations on one of their residential properties, Stott House. These renovations were not complete as of June 30, 2014. This project was completed as of June 30, 2015, and the construction in progress amounts incurred were transferred to building and building and land improvements upon its being placed in service.

7. CONSTRUCTION IN PROGRESS

Construction in progress consists of the following projects at June 30:

	2016	2015
66 Rosemary Street	$ 1,032,398	$ -
IT Projects	25,400	6,375
Merritt Building	2,988	-
Dwight Facility	-	750
	$ 1,060,786	$ 7,125

During fiscal year 2016, the Agency purchased 66 Rosemary Street, a property in Needham, Massachusetts, to develop a residential property that will be used to serve developmentally disabled individuals. The acquisition was funded by a mortgage note payable (see Note 9) and operating reserves. This project began in fiscal year 2016 and is expected to be completed and the building will be placed in service during fiscal year 2017.

8. LINE OF CREDIT

The Agency has available up to $1,000,000 under a line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the one-month London Interbank Offered Rate (LIBOR) (0.46% and 0.18% at June 30, 2016 and 2015, respectively), plus 2.5%. As of June 30, 2016 and 2015, there were no outstanding balances under this agreement. The Agency must maintain certain financial ratios and levels of working capital as specified in the agreement. The Agency must also meet certain covenants before any advances may be drawn. The Agency was in compliance with these financial ratios and covenants at June 30, 2016 and 2015. This agreement is renewable annually 180 days after the Agency's fiscal year-end date.

9. MORTGAGE NOTES PAYABLE

Mortgage notes payable consist of the following at June 30:

	2016	2015
Series M-2 note payable agreement with Massachusetts Health and Educational Facilities Authority (HEFA) for $4,185,000. The note bears interest at a floating rate that varies daily based on a calculation by Morgan Stanley Smith Barney, (the Remarking Agent). The rate was 0.10% as of June 30, 2016 and 2015. Monthly interest payments are due on the first of each month. Annual principal payments are due on June 15th of each year through 2029. Under the terms of this agreement, the Agency was required to deposit cash into a sinking fund to provide for future payments of principal and interest (see Note 4).	$ 2,582,695	$ 2,780,815

9. MORTGAGE NOTES PAYABLE (Continued)

	2016	2015
Series M-2 note payable agreement with HEFA for $1,257,300. The note bears interest at a floating rate that varies daily based on a calculation by the Remarking Agent. The rate as of June 30, 2016 and 2015, was 0.10%. Annual principal and interest payments are due on June 15th of each year through 2027. Under the terms of this agreement, the Agency was required to deposit cash into a sinking fund to provide for future payments of principal and interest (see Note 4). This note is secured by specific real estate.	928,476	1,013,823
Mortgage note payable agreement with a bank for $686,250. The note bears interest at a 4.5%. Monthly principal and interest payments of $3,748 are required commencing February 2016 through December 2045. This note is secured by specific real estate (see Note 7).	681,797	-
Series M-2 note payable agreement with HEFA for $870,000. The note bears interest at a floating rate that varies daily based on a calculation by the Remarking Agent. The rate as of June 30, 2016 and 2015, was 0.10%. Semi-annual interest payments are due on December 15th and June 15th of each year. Annual principal payments are due on June 15th of each year through 2029. Under the terms of this agreement, the Agency was required to deposit cash into a sinking fund to provide for future payments of principal and interest (see Note 4). This note is secured by specific real estate.	557,804	585,995
Mortgage note payable agreement with a bank for $500,000. The note bears interest at a 4.5%. Interest only payments commenced in January 2016 and were due through June 2016. Commencing in July 2016, monthly payments of principal and interest totaling $2,554 are due through December 2045. This note is secured by specific real estate.	499,302	-
	5,250,074	4,390,633
Less - current portion	329,847	308,592
	$ 4,920,227	$ 4,072,041

Aggregate maturities of mortgage notes payable over the next five years are as follows:

2017	$ 329,847
2018	$ 332,971
2019	$ 335,741
2020	$ 338,663
2021	$ 341,155

9. MORTGAGE NOTES PAYABLE (Continued)

To ensure performance on the mortgages, the Agency has entered into a letter of credit reimbursement agreement with a bank for an irrevocable, direct pay letter of credit in the amount of $4,434,665. The letter of credit is due to expire on October 21, 2017. The letter of credit is secured by a mortgage on property and equipment of the Center. The Agency is required to pay an annual fee equal to the bank's customary issuance fee, plus 2% of the stated amount of the letter of credit at June 30, 2016 and 2015. This fee was $88,693 and $94,972 for the years ended June 30, 2016 and 2015, respectively, and is included in occupancy and interest in the accompanying combined statements of functional expenses.

The note payable agreements contain various covenants with which the Agency must comply. The Agency was in compliance with these covenants at June 30, 2016 and 2015.

Total interest expense on the mortgages, including the letter of credit fee disclosed above, was $105,997 and $123,541 for the years ended June 30, 2016 and 2015, respectively, and is included in occupancy and interest in the accompanying combined statements of functional expenses. During 2016, approximately $22,000 of interest was capitalized in relation to the new mortgage notes payable (see page 16).

10. CONDITIONAL DEBT

The Agency has received several contingent loans from Community Economic Development Assistance Corporation (CEDAC) under the CEDAC Facility Consolidation Fund. These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing. The loans do not accrue interest unless the Agency is not in compliance with the terms of the loan agreements. It is the intention of the Board of Directors and the management of the Agency to maintain these properties as low-income housing. Therefore, these loans have been classified as conditional debt and no interest has been accrued on them.

Conditional debt consists of the following at June 30, 2016 and 2015:

Mortgage note payable for the acquisition and renovation of the Marshall Road, Inc. project. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. These levels of cash flow were not achieved for the years ended June 30, 2016 and 2015. All unpaid principal is due in full on October 30, 2026. CEDAC has the right to postpone payment until October 30, 2036.	$ 273,344
Mortgage note payable for the acquisition and renovation of the California Street Corporation project. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. These levels of cash flow were not achieved for the years ended June 30, 2016 and 2015. All unpaid principal is due in full on October 12, 2030. CEDAC has the right to postpone payment until October 12, 2040.	225,745
Mortgage note payable for the acquisition and renovation of the West Street Corporation project. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. These levels of cash flow were not achieved for the years ended June 30, 2016 and 2015. All unpaid principal is due in full on August 22, 2032. CEDAC has the right to postpone payment until August 22, 2042.	221,703

10. CONDITIONAL DEBT (Continued)

Mortgage note payable for the acquisition and renovation of the CRARC, Inc. project. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. These levels of cash flow were not achieved for the years ended June 30, 2016 and 2015. All unpaid principal is due in full on February 12, 2028. CEDAC has the right to postpone payment until February 12, 2038.	88,870
Mortgage note payable for the acquisition and renovation of the Marked Tree Road Corporation project. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. These levels of cash flow were not achieved for the years ended June 30, 2016 and 2015. All unpaid principal is due in full on September 25, 2027. CEDAC has the right to postpone payment until September 25, 2037.	76,093
	$ 885,755

11. COMMITMENTS

Capital Advances

As of June 30, 2016 and 2015, the Affiliates have received cumulative capital advances from HUD totaling $3,043,955. These amounts are included in temporarily restricted net assets in the accompanying combined statements of financial position. The capital advances are not required to be repaid and no interest is due as long as the properties remain available to very low-income households for a period of forty years in accordance with Section 811 of the National Housing Act of 1990. If the Affiliates do not comply with these terms, the entire cumulative advances will be due upon demand and will accrue interest at 5% from the date of default. There have been no violations of these terms at June 30, 2016 and 2015. These capital advances are secured by a first mortgage on each Affiliate's respective property, as well as an assignment of each Affiliate's furniture and equipment, rents and accounts receivable.

California Street Corporation has received $93,197 from the City of Newton's Community Development Program for the same purpose outlined above.

Marshall Road, Inc. has received $145,000 from the Town of Wellesley for the same purpose outlined above.

The Center has received $280,000 from the Town of Needham for its South Street project and has similar restrictions as outlined above.

Leases

On August 19, 2011, the Center entered into a two-year lease agreement for a property in Newton, Massachusetts, which is used as an autistic residential group home. The Center pays a monthly rental rate based on the number of consumers being served in the residential group home. At the end of two years, the Center was given an option to purchase the property at fair value. This option expired in fiscal year 2014 and the Agency is currently renting as a tenant-at-will. Rent expense under this lease agreement for the years ended June 30, 2016 and 2015, was $54,000, and is included in occupancy in the accompanying combined statements of functional expenses.

11. COMMITMENTS (Continued)

Leases (Continued)

The Center entered into a lease agreement for office space in Natick, Massachusetts, which expires on January 31, 2019. The Center is responsible for monthly rental payments of $6,750 through January 2017, and then $7,000 through January 2019, as well as additional operating expenses of approximately $2,000 per month. Rent expense and related expenses totaled $105,287 and $105,386 for the years ended June 30, 2016 and 2015, respectively, and are included in occupancy in the accompanying combined statements of functional expenses. Remaining future minimum lease payments are as follows:

2017	$ 82,250
2018	$ 84,000
2019	$ 49,000

12. RETIREMENT PLANS

401(k) Retirement Plan

The Agency maintains an IRC Section 401(k) Retirement Plan (the 401(k) Plan) for all eligible employees. Employees may make contributions to the 401(k) Plan up to the maximum allowed by law. The Agency makes matching contributions to the 401(k) Plan as determined by the Board of Directors. Agency contributions are fully vested at the earlier of the participant's 65th birthday or the participant's anniversary of five years of service. The Agency's total contributions under the 401(k) Plan were $43,114 and $36,861 for the years ended June 30, 2016 and 2015, respectively, and are included in employee benefits in the accompanying combined statements of functional expenses.

Deferred Compensation Plan

During fiscal year 2013, the Agency entered into an IRC Section 457(f) deferred compensation plan (the Deferred Compensation Plan) with its President. Under the terms of the Deferred Compensation Plan, monies deposited by the Agency, as well as reinvested investment income, remains the property of the Agency during a vesting period. At June 30, 2016 and 2015, the Agency has $376,340 and $300,734, respectively, in a related account, which is included in cash and cash equivalents in the accompanying combined statements of financial position. A corresponding liability has been recorded and is included in accounts payable, accrued expenses and other in the accompanying combined statements of financial position. The President vests in these contributions in accordance with the terms of the Deferred Compensation Plan.

13. CONCENTRATIONS

The Agency maintains its cash balances in six Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on its operating cash balance.

See Note 3 for additional concentrations.

14. RELATED PARTY TRANSACTIONS

The Chairman of the Board of Directors is a licensed real estate agent whom represented the Agency in the purchase of a residential building to be used to serve developmentally disabled individuals. As part of the purchase, the real estate company for which he works received a commission of approximately $31,000.

The son of the Treasurer of the Board of Directors represented the Agency for legal closing on a residential building and 66 Rosemary Street buildings (see Note 7). As part of the purchase, the legal fees capitalized with the project were approximately $1,500.

A member of the Board of Directors owns the disposal company that the Agency uses. Services received during the year totaled approximately $1,000.

A member of the Board of Directors is also a Board member of a bank in which the Agency maintains deposits.

15. SUBSEQUENT EVENT

In September 2016, the Agency purchased a property in Sharon, Massachusetts for $712,000. The purchase of this property was financed by a 4.375% 30-year mortgage note payable for $543,750. The remainder was paid from unrestricted resources.

16. RECLASSIFICATIONS

Certain amounts in the fiscal year 2015 combined financial statements have been reclassified to conform with the fiscal year 2016 combined presentation.

Combining Statement of Financial Position
June 30, 2016

Assets	The Charles River Association for Retarded Citizens, Inc.	Webster St. II, Inc.	California Street Corporation	Marked Tree Corporation	CRARC, Inc.	West Street Corporation	Marshall Road, Inc.	Combined Totals Before Eliminations	Eliminations	Combined Total
Current Assets:										
Cash and cash equivalents	$ 3,234,591	$ 629	$ 1,251	$ 4,233	$ 139	$ 2,022	$ 320	$ 3,243,185	$ -	$ 3,243,185
Current portion of restricted cash	-	15,495	45,799	55,090	35,670	87,336	19,905	259,295	-	259,295
Accounts receivable, net of allowance for doubtful accounts of approximately $25,000 at June 30, 2016	2,957,907	-	-	-	-	1,420	-	2,959,327	-	2,959,327
Prepaid expenses and other	266,151	74	344	3,011	-	2,692	70	272,342	-	272,342
Total current assets	6,458,649	16,198	47,394	62,334	35,809	93,470	20,295	6,734,149	-	6,734,149
Certificate of Deposit	118,985	-	-	-	-	-	-	118,985	-	118,985
Restricted Cash, net of current portion	40,294	-	-	-	-	-	-	40,294	-	40,294
Investments	10,079,367	-	-	-	-	-	-	10,079,367	-	10,079,367
Due from Affiliates	1,139,360	-	-	-	-	-	-	1,139,360	(1,139,360)	-
Construction in Progress	1,060,786	-	-	-	-	-	-	1,060,786	-	1,060,786
Property and Equipment, net	12,186,131	714,391	353,590	324,438	361,728	478,545	860,821	15,279,644	(138,103)	15,141,541
Total assets	$ 31,083,572	$ 730,589	$ 400,984	$ 386,772	$ 397,537	$ 572,015	$ 881,116	$ 34,452,585	$ (1,277,463)	$ 33,175,122
Liabilities and Net Assets										
Current Liabilities:										
Current portion of mortgage notes payable	$ 329,847	$ -	$ -	$ -	$ -	$ -	$ -	$ 329,847	$ -	$ 329,847
Accounts payable, accrued expenses and other	1,964,696	15,993	10,793	6,395	9,130	7,900	9,405	2,024,312	-	2,024,312
Total current liabilities	2,294,543	15,993	10,793	6,395	9,130	7,900	9,405	2,354,159	-	2,354,159
Mortgage Notes Payable, net of current portion	4,920,227	-	-	-	-	-	-	4,920,227	-	4,920,227
Due to Affiliates	-	371,110	221,659	157,772	84,665	105,803	198,351	1,139,360	(1,139,360)	-
Total liabilities before conditional debt	7,214,770	387,103	232,452	164,167	93,795	113,703	207,756	8,413,746	(1,139,360)	7,274,386
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	7,214,770	387,103	458,197	240,260	182,665	335,406	481,100	9,299,501	(1,139,360)	8,160,141
Net Assets:										
Unrestricted:										
Operating	8,786,665	(386,400)	(230,857)	(156,923)	(93,656)	(107,569)	(207,366)	7,603,894	(86,680)	7,517,214
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,757,137	(36,314)	(362,644)	(69,565)	(105,272)	(210,316)	(30,988)	6,942,038	(51,423)	6,890,615
Total unrestricted	23,543,802	(422,714)	(593,501)	(226,488)	(198,928)	(317,885)	(238,354)	21,545,932	(138,103)	21,407,829
Temporarily restricted	280,000	766,200	536,288	373,000	413,800	554,494	638,370	3,562,152	-	3,562,152
Permanently restricted	45,000	-	-	-	-	-	-	45,000	-	45,000
Total net assets	23,868,802	343,486	(57,213)	146,512	214,872	236,609	400,016	25,153,084	(138,103)	25,014,981
Total liabilities and net assets	$ 31,083,572	$ 730,589	$ 400,984	$ 386,772	$ 397,537	$ 572,015	$ 881,116	$ 34,452,585	$ (1,277,463)	$ 33,175,122

Combining Statement of Financial Position
June 30, 2015

Assets	The Charles River Association for Retarded Citizens, Inc.	Webster St. II, Inc.	California Street Corporation	Marked Tree Corporation	CRARC, Inc.	West Street Corporation	Marshall Road, Inc.	Combined Totals Before Eliminations	Eliminations	Combined Total
Current Assets:										
Cash and cash equivalents	$ 2,516,032	$ 1,777	$ 24,599	$ 7,057	$ 671	$ 14,282	$ 4,442	$ 2,568,860	$ -	$ 2,568,860
Current portion of restricted cash	-	11,159	28,758	47,763	35,188	56,990	16,662	196,520	-	196,520
Accounts receivable, net of allowance for doubtful accounts of approximately $25,000 at June 30, 2015	2,434,608	566	-	-	1,212	-	-	2,436,386	-	2,436,386
Prepaid expenses and other	263,516	71	70	70	-	-	70	263,797	-	263,797
Total current assets	5,214,156	13,573	53,427	54,890	37,071	71,272	21,174	5,465,563	-	5,465,563
Certificate of Deposit	117,901	-	-	-	-	-	-	117,901	-	117,901
Restricted Cash, net of current portion	43,358	-	-	-	-	-	-	43,358	-	43,358
Investments	10,109,154	-	-	-	-	-	-	10,109,154	-	10,109,154
Due from Affiliates	1,109,364	-	-	-	-	-	-	1,109,364	(1,109,364)	-
Construction in Progress	7,125	-	-	-	-	-	-	7,125	-	7,125
Property and Equipment, net	11,992,180	745,919	384,448	332,982	365,383	493,828	883,598	15,198,338	(138,103)	15,060,235
Total assets	$ 28,593,238	$ 759,492	$ 437,875	$ 387,872	$ 402,454	$ 565,100	$ 904,772	$ 32,050,803	$ (1,247,467)	$ 30,803,336
Liabilities and Net Assets										
Current Liabilities:										
Current portion of mortgage notes payable	$ 308,592	$ -	$ -	$ -	$ -	$ -	$ -	$ 308,592	$ -	$ 308,592
Accounts payable, accrued expenses and other	1,817,311	22,995	7,204	9,550	8,725	7,840	5,365	1,878,990	-	1,878,990
Total current liabilities	2,125,903	22,995	7,204	9,550	8,725	7,840	5,365	2,187,582	-	2,187,582
Mortgage Notes Payable, net of current portion	4,072,041	-	-	-	-	-	-	4,072,041	-	4,072,041
Due to Affiliates	-	371,110	221,659	157,771	84,665	75,808	198,351	1,109,364	(1,109,364)	-
Total liabilities before conditional debt	6,197,944	394,105	228,863	167,321	93,390	83,648	203,716	7,368,987	(1,109,364)	6,259,623
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	6,197,944	394,105	454,608	243,414	182,260	305,351	477,060	8,254,742	(1,109,364)	7,145,378
Net Assets:										
Unrestricted:										
Operating	14,079,123	(391,691)	(204,194)	(160,194)	(91,507)	(69,366)	(199,204)	12,962,967	(86,680)	12,876,287
Board designated	609,141	-	-	-	-	-	-	609,141	-	609,141
Property and equipment	7,382,030	(9,122)	(348,827)	(68,348)	(102,099)	(225,379)	(11,454)	6,616,801	(51,423)	6,565,378
Total unrestricted	22,070,294	(400,813)	(553,021)	(228,542)	(193,606)	(294,745)	(210,658)	20,188,909	(138,103)	20,050,806
Temporarily restricted	280,000	766,200	536,288	373,000	413,800	554,494	638,370	3,562,152	-	3,562,152
Permanently restricted	45,000	-	-	-	-	-	-	45,000	-	45,000
Total net assets	22,395,294	365,387	(16,733)	144,458	220,194	259,749	427,712	23,796,061	(138,103)	23,657,958
Total liabilities and net assets	$ 28,593,238	$ 759,492	$ 437,875	$ 387,872	$ 402,454	$ 565,100	$ 904,772	$ 32,050,803	$ (1,247,467)	$ 30,803,336

Combining Statement of Activities
For the Year Ended June 30, 2016

	The Charles River Association for Retarded Citizens, Inc.	Webster St. II, Inc.	California Street Corporation	Marked Tree Corporation	CRARC, Inc.	West Street Corporation	Marshall Road, Inc.	Combined Totals Before Eliminations	Eliminations	Combined Total
Unrestricted Net Assets:										
Operating support and revenue:										
Contract revenue and program service fees	$ 23,395,986	$ 81,443	$ 54,192	$ 43,140	$ 45,301	$ 62,504	$ 41,760	$ 23,724,326	$ (17,040)	$ 23,707,286
Fundraising revenue	441,501	-	-	-	-	-	-	441,501	-	441,501
Investment income, net of fees	368,628	2	45	51	31	92	17	368,866	-	368,866
Commercial products and services	235,767	-	-	-	-	-	-	235,767	-	235,767
Grants	42,323	-	-	-	-	-	-	42,323	-	42,323
Other	58,638	-	-	-	-	-	-	58,638	(30,579)	28,059
Total operating support and revenue	24,542,843	81,445	54,237	43,191	45,332	62,596	41,777	24,871,421	(47,619)	24,823,802
Operating expenses:										
Program services:										
Residential	12,396,473	103,346	94,717	41,137	50,654	85,736	69,473	12,841,536	(47,619)	12,793,917
Day activities	5,862,887	-	-	-	-	-	-	5,862,887	-	5,862,887
Family support	2,203,606	-	-	-	-	-	-	2,203,606	-	2,203,606
Total program services	20,462,966	103,346	94,717	41,137	50,654	85,736	69,473	20,908,029	(47,619)	20,860,410
Supporting services:										
General and administrative	2,204,866	-	-	-	-	-	-	2,204,866	-	2,204,866
Fundraising	212,574	-	-	-	-	-	-	212,574	-	212,574
Total supporting services	2,417,440	-	-	-	-	-	-	2,417,440	-	2,417,440
Total operating expenses	22,880,406	103,346	94,717	41,137	50,654	85,736	69,473	23,325,469	(47,619)	23,277,850
Changes in unrestricted net assets from operations	1,662,437	(21,901)	(40,480)	2,054	(5,322)	(23,140)	(27,696)	1,545,952	-	1,545,952
Non-operating revenue:										
Net realized/unrealized losses on investments	(188,929)	-	-	-	-	-	-	(188,929)	-	(188,929)
Changes in net assets	$ 1,473,508	$ (21,901)	$ (40,480)	$ 2,054	$ (5,322)	$ (23,140)	$ (27,696)	$ 1,357,023	$ -	$ 1,357,023

Combining Statement of Activities
For the Year Ended June 30, 2015

	The Charles River Association for Retarded Citizens, Inc.	Webster St. II, Inc.	California Street Corporation	Marked Tree Corporation	CRARC, Inc.	West Street Corporation	Marshall Road, Inc.	Combined Totals Before Eliminations	Eliminations	Combined Total
Unrestricted Net Assets:										
Operating support and revenue:										
Contract revenue and program service fees	$ 21,905,495	$ 80,570	$ 57,312	$ 37,383	$ 34,128	$ 68,160	$ 38,472	$ 22,221,520	$ (17,062)	$ 22,204,458
Fundraising revenue	385,656	-	-	-	-	-	-	385,656	-	385,656
Investment income, net of fees	334,996	3	23	44	32	50	15	335,163	-	335,163
Commercial products and services	231,955	-	-	-	-	-	-	231,955	-	231,955
Grants	49,753	-	-	-	-	-	-	49,753	-	49,753
Other	40,779	-	-	-	-	-	-	40,779	(29,524)	11,255
Total operating support and revenue	22,948,634	80,573	57,335	37,427	34,160	68,210	38,487	23,264,826	(46,586)	23,218,240
Operating expenses:										
Program services:										
Residential	11,805,457	123,233	81,041	49,653	56,937	78,193	59,438	12,253,952	(46,586)	12,207,366
Day activities	5,454,133	-	-	-	-	-	-	5,454,133	-	5,454,133
Family support	1,882,883	-	-	-	-	-	-	1,882,883	-	1,882,883
Total program services	19,142,473	123,233	81,041	49,653	56,937	78,193	59,438	19,590,968	(46,586)	19,544,382
Supporting services:										
General and administrative	2,024,376	-	-	-	-	-	-	2,024,376	-	2,024,376
Fundraising	201,854	-	-	-	-	-	-	201,854	-	201,854
Total supporting services	2,226,230	-	-	-	-	-	-	2,226,230	-	2,226,230
Total operating expenses	21,368,703	123,233	81,041	49,653	56,937	78,193	59,438	21,817,198	(46,586)	21,770,612
Changes in unrestricted net assets from operations	1,579,931	(42,660)	(23,706)	(12,226)	(22,777)	(9,983)	(20,951)	1,447,628	-	1,447,628
Non-operating revenue:										
Net realized/unrealized losses on investments	(256,416)	-	-	-	-	-	-	(256,416)	-	(256,416)
Changes in net assets	$ 1,323,515	$ (42,660)	$ (23,706)	$ (12,226)	$ (22,777)	$ (9,983)	$ (20,951)	$ 1,191,212	$ -	$ 1,191,212

THE CHARLES RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
D/B/A THE CHARLES RIVER CENTER AND AFFILIATES

Schedule of Expenditures of Federal Awards
June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Supportive Housing for Persons with Disabilities:	14.181		
Direct		N/A	$ 3,043,955
Pass-through Local Governments		N/A	93,197
Total Supportive Housing for Persons with Disabilities			3,137,152
Home Investment Partnerships Program:	14.239		
Pass-through Local Governments		N/A	280,000
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (Section 8 Project Based Housing Voucher Cluster):	14.856		
Direct		N/A	188,196
Pass-through Local Governments		N/A	52,113
Total Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation (Section 8 Project Based Housing Voucher Cluster)			240,309
Total Expenditures of Federal Awards			$ 3,657,461

Note 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Note 2. **Loans Outstanding**

The Supportive Housing for Persons with Disabilities expenditures listed above includes loan balances totaling $3,137,152 as of June 30, 2016.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

To the Board of Directors of
The Charles River Association for Retarded Citizens, Inc.
d/b/a The Charles River Center and Affiliates:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of The Charles River Association for Retarded Citizens, Inc. d/b/a The Charles River Center and Affiliates (collectively, the Agency), which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
October 25, 2016

AAFCPAs
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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors of
The Charles River Association for Retarded Citizens, Inc.
d/b/a The Charles River Center and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited The Charles River Association for Retarded Citizens, Inc. d/b/a The Charles River Center and Affiliates' (collectively, the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major Federal program for the year ended June 30, 2016. The Agency's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and terms and conditions of its Federal awards applicable to its Federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major Federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on page 28. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
October 25, 2016

1. SUMMARY OF AUDITOR'S RESULTS

Combined Financial Statements

Type of auditor's report issued on whether the combined financial statements audited were prepared in accordance with GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report?	______ Yes	X No

Internal control over financial reporting:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported
Noncompliance material to combined financial statements noted?	______ Yes	X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______ Yes	X No
• Significant deficiency(ies) identified?	______ Yes	X None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with2 CFR 200.516(a)?	______ Yes	X No

Identification of major Federal program:

Name of Federal Program or Cluster	CFDA Number
Supportive Housing for Persons with Disabilities	14.181

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

Auditee qualified as low-risk auditee?	X Yes	______ No

2. COMBINED FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None