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, 2017 AND 2016

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

Contents
June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Emphasis of a Matter

During fiscal year 2017, the Agency adopted Accounting Standards Update No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which modifies the classification of debt issuance costs on the combined statements of financial position. Our opinion is not modified with respect to this matter.

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 22 through 25 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, 2017, 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 24, 2017, 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.

Boston, Massachusetts
October 24, 2017

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

Combined Statements of Financial Position
June 30, 2017 and 2016

Assets	**2017**	**2016**
Current Assets:		
Cash and cash equivalents	$ 4,756,852	$ 3,243,185
Current portion of restricted cash	265,620	259,295
Accounts receivable, net of allowance for doubtful accounts of approximately $25,000 at June 30, 2017 and 2016	2,611,438	2,959,327
Prepaid expenses and other	171,914	173,263
Total current assets	7,805,824	6,635,070
Certificate of Deposit	120,059	118,985
Restricted Cash, net of current portion	37,214	40,294
Investments	11,103,913	10,079,367
Construction in Progress	69,526	1,060,786
Property and Equipment, net	16,290,296	15,141,541
Total assets	$ 35,426,832	$ 33,076,043
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	$ 342,238	$ 329,847
Accounts payable, accrued expenses and other	1,831,715	2,024,312
Total current liabilities	2,173,953	2,354,159
Mortgage Notes Payable and Unamortized Debt Issuance Costs, net of current portion	5,019,059	4,821,148
Total liabilities before conditional debt	7,193,012	7,175,307
Conditional Debt	885,755	885,755
Total liabilities	8,078,767	8,061,062
Net Assets:		
Unrestricted:		
Operating	9,800,781	7,418,135
Board designated	7,000,000	7,000,000
Property and equipment	6,940,132	6,989,694
Total unrestricted	23,740,913	21,407,829
Temporarily restricted	3,562,152	3,562,152
Permanently restricted	45,000	45,000
Total net assets	27,348,065	25,014,981
Total liabilities and net assets	$ 35,426,832	$ 33,076,043

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, 2017 and 2016

	2017	2016
Unrestricted Net Assets:		
Operating support and revenue:		
Contract revenue and program service fees	$ 25,068,980	$ 23,707,286
Fundraising revenue	437,882	441,501
Investment income, net of fees	309,800	368,866
Commercial products and services	106,027	235,767
Grants	31,681	42,323
Other	3,724	28,059
Total operating support and revenue	25,958,094	24,823,802
Operating expenses:		
Program services:		
Residential	13,446,238	12,793,917
Day activities	6,088,080	5,862,887
Family support	2,504,984	2,203,606
Total program services	22,039,302	20,860,410
Supporting services:		
General and administrative	2,389,100	2,204,866
Fundraising	205,721	212,574
Total supporting services	2,594,821	2,417,440
Total operating expenses	24,634,123	23,277,850
Changes in unrestricted net assets from operations	1,323,971	1,545,952
Non-operating revenues:		
Net unrealized/realized gains (losses) on investments	721,650	(188,929)
Bequest	287,463	-
Total non-operating revenues	1,009,113	(188,929)
Changes in net assets	$ 2,333,084	$ 1,357,023

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, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Changes in net assets	2,333,084	-	-	2,333,084
Balance, June 30, 2017	$ 23,740,913	$ 3,562,152	$ 45,000	$ 27,348,065

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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Changes in net assets	$ 2,333,084	$ 1,357,023
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,053,613	1,029,003
Amortization of debt issuance costs	5,449	5,449
Bad debts	8,127	101,400
Loss on disposal of property and equipment	3,932	-
Net realized/unrealized (gains) losses on investments	(721,650)	188,929
Changes in operating assets and liabilities:		
Accounts receivable	339,762	(624,341)
Prepaid expenses and other	1,349	(13,994)
Accounts payable, accrued expenses and other	(192,597)	149,041
Net cash provided by operating activities	2,831,069	2,192,510
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(1,173,902)	(1,113,278)
Cash paid for construction in progress	(41,138)	(1,054,411)
Purchases of investments	(1,187,480)	(3,470,383)
Proceeds from sales of investments	884,584	3,311,241
Increase in restricted cash	(3,245)	(59,711)
Increase in certificate of deposit	(1,074)	(1,084)
Net cash used in investing activities	(1,522,255)	(2,387,626)
Cash Flows from Financing Activities:		
Principal payments of mortgage notes payable	(338,897)	(316,809)
Proceeds from issuance of mortgage notes payable	543,750	1,186,250
Net cash provided by financing activities	204,853	869,441
Net Change in Cash and Cash Equivalents	1,513,667	674,325
Cash and Cash Equivalents:		
Beginning of year	3,243,185	2,568,860
End of year	$ 4,756,852	$ 3,243,185
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 178,425	$ 127,997
Supplemental Disclosure of Non-Cash Transaction:		
Construction in progress placed in service	$ 1,032,398	$ 750

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, 2017
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017								2016
	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	$ 8,478,640	$ 3,861,032	$ 945,432	$ 13,285,104	$ 1,213,880	$ 73,282	$ 1,287,162	$ 14,572,266	$ 13,826,135
Employee benefits	1,202,247	530,758	86,793	1,819,798	161,332	1,115	162,447	1,982,245	2,158,913
Payroll taxes	826,661	363,592	85,905	1,276,158	110,170	7,000	117,170	1,393,328	1,307,680
Total personnel costs	10,507,548	4,755,382	1,118,130	16,381,060	1,485,382	81,397	1,566,779	17,947,839	17,292,728
Occupancy	890,328	635,839	87,397	1,613,564	16,211	5,524	21,735	1,635,299	1,511,927
Program and office support	462,251	129,132	46,224	637,607	300,303	726	301,029	938,636	771,786
Depreciation	654,138	156,038	24,269	834,445	63,376	-	63,376	897,821	864,676
Stipends	-	-	772,710	772,710	-	-	-	772,710	638,045
Contracted services	158,087	185,163	339,173	682,423	-	-	-	682,423	475,219
Professional fees	-	-	-	-	366,409	21,618	388,027	388,027	377,263
Food	318,886	-	-	318,886	-	-	-	318,886	303,979
Transportation	168,935	100,129	9,942	279,006	29,318	-	29,318	308,324	340,259
Program supplies	118,589	87,687	77,788	284,064	3,981	-	3,981	288,045	253,538
Interest	126,131	6,698	-	132,829	51,045	-	51,045	183,874	111,446
Staff travel and training	39,534	24,033	25,061	88,628	28,193	1,115	29,308	117,936	82,755
Fundraising expenses	-	-	-	-	-	94,258	94,258	94,258	94,701
Miscellaneous	1,811	1,599	3,466	6,876	43,959	1,083	45,042	51,918	58,128
Bad debts	-	6,380	824	7,204	923	-	923	8,127	101,400
Total operating expenses	$ 13,446,238	$ 6,088,080	$ 2,504,984	$ 22,039,302	$ 2,389,100	$ 205,721	$ 2,594,821	$ 24,634,123	$ 23,277,850

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 Statement of Functional Expenses
For the Year Ended June 30, 2016

	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	$ 8,106,996	$ 3,640,966	$ 913,479	$ 12,661,441	$ 1,086,188	$ 78,506	$ 1,164,694	$ 13,826,135
Employee benefits	1,301,601	596,354	78,043	1,975,998	181,776	1,139	182,915	2,158,913
Payroll taxes	777,589	342,457	87,269	1,207,315	92,584	7,781	100,365	1,307,680
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
Occupancy	816,924	587,867	94,143	1,498,934	8,027	4,966	12,993	1,511,927
Program and office support	400,571	107,111	50,665	558,347	211,683	1,756	213,439	771,786
Depreciation	618,403	135,881	11,072	765,356	99,320	-	99,320	864,676
Stipends	-	-	638,045	638,045	-	-	-	638,045
Contracted services	80,903	160,301	234,015	475,219	-	-	-	475,219
Professional fees	-	-	-	-	359,124	18,139	377,263	377,263
Food	303,979	-	-	303,979	-	-	-	303,979
Transportation	192,000	106,827	7,438	306,265	33,994	-	33,994	340,259
Program supplies	111,776	74,841	63,025	249,642	3,896	-	3,896	253,538
Interest	62,081	5,743	-	67,824	43,622	-	43,622	111,446
Staff travel and training	15,168	12,176	24,443	51,787	27,757	3,211	30,968	82,755
Fundraising expenses	-	-	-	-	-	94,701	94,701	94,701
Miscellaneous	2,972	-	-	2,972	52,781	2,375	55,156	58,128
Bad debts	2,954	92,363	1,969	97,286	4,114	-	4,114	101,400
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

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 LLC) 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, 2017 and 2016. There were no amounts due to or from the LLC as of June 30, 2017 or 2016, or revenues earned or expenses incurred by the Agency for the LLC during either fiscal year 2017 or 2016. 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)

Accounting Principle Adoption

During fiscal year 2017, the Agency adopted the FASB's Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be reported in the combined statements of financial position as a direct reduction from the face amount of the related mortgage notes payable. Previously, the Agency reflected unamortized debt issuance costs as prepaid expenses and other in the accompanying 2016 combined statement of financial position, and has retroactively reclassified fiscal year 2016 amounts in accordance with this ASU. The reclassification reduced total assets and mortgage notes payable at June 30, 2016, by $99,079.

In addition, amortization of debt issuance costs is required to be included with interest expense in the accompanying combined statements of functional expenses. Accordingly, amortization expense totaling $5,449 for the year ended June 30, 2016, has been reclassified to be included with interest expense. As a result, interest expense originally stated at $105,997 in the 2016 combined statement of functional expenses has been adjusted to $111,446.

The adoption of this ASU did not impact the Agency's combined net assets, changes in net assets or cash flows for the years ended June 30, 2017 and 2016.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Unrestricted Net Assets (Continued)

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, 2017 and 2016:

Operating Reserve	$ 4,000,000
Working Capital Reserve	3,000,000
	$ 7,000,000

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, 2017 and 2016.

Permanently Restricted Net Assets

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

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 includes a bequest and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 24, 2017, which is the date the combined financial statements were available to be issued. There were no events 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, 2017 and 2016, the Agency held a certificate of deposit (CD) with a maturity of August 2018. The CD bears interest at 0.90% at June 30, 2017 and 2016, 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.

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. All qualifying assets and liabilities are valued using Level 1 inputs.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, renewals and betterments of $5,000, respectively, or more are capitalized, while repairs and maintenance are expensed as incurred.

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*.

The Agency received $7,002 of goods during the year ended June 30, 2017, which is included in fundraising revenue and fundraising expense in the accompanying combined financial statements. The goods are based upon the estimated value assigned to them by the agencies or management.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

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, 2017 and 2016) 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, 2017 and 2016, or on its combined changes in its net assets for the years then ended.

Approximately 74% and 78% of the Agency's accounts receivable at June 30, 2017 and 2016, respectively, were due from DDS.

Approximately 12% of the Agency's total operating support and revenue for the years ended June 30, 2017 and 2016, respectively were from Medicaid.

Approximately 22% and 18% of the Agency's accounts receivable at June 30, 2017 and 2016, respectively, were due 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). 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:

	2017	2016
Current:		
Reserve for replacements	$ 250,964	$ 234,525
Tenant security deposits	9,406	10,150
Residual receipts	4,336	13,707
Other reserves	914	913
Total current	265,620	259,295
Long-term:		
Bond sinking fund (see Note 9)	37,214	40,294
	$ 302,834	$ 299,589

5. INVESTMENTS

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

	2017	2016
Mutual funds:		
Stocks	$ 3,964,391	$ 3,762,250
Multi-strategy	3,250,024	2,870,053
Fixed income and other	1,227,205	942,321
Foreign stocks	1,183,505	1,024,449
Total mutual funds	9,625,125	8,599,073
Exchange traded funds	1,460,629	1,480,041
Money market account	18,159	253
	$ 11,103,913	$ 10,079,367

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

	2017	2016
Net unrealized/realized gains (losses) on investments:		
Unrealized gain (loss)	$ 614,487	$ (440,096)
Realized gain	107,163	251,167
Total net unrealized/realized gains (losses) on investments	$ 721,650	$ (188,929)
Investment income:		
Interest, dividends and mutual fund distributions	$ 302,896	$ 367,722
Other interest income	16,904	11,144
Investment fees	(10,000)	(10,000)
Total investment income, net of fees	$ 309,800	$ 368,866

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:

	2017	2016
Land	$ 3,537,211	$ 2,871,511
Building and building and land improvements	20,952,969	19,594,955
Vehicles	2,137,666	1,989,826
Furniture and equipment	1,322,234	1,292,157
	27,950,080	25,748,449
Less - accumulated depreciation	11,659,784	10,606,908
	$ 16,290,296	$ 15,141,541

6. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was $1,053,613 and $1,029,003 for the years ended June 30, 2017 and 2016, respectively, of which $155,792 and $164,327, respectively, are included in occupancy in the accompanying combined statements of functional expenses.

During fiscal year 2016, the Agency purchased Condor Road, a property in Sharon, 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 and the building was placed in service during fiscal year 2017.

7. CONSTRUCTION IN PROGRESS

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

	2017	2016
IT Projects	$ 48,500	$ 25,400
Marked Tree Road	10,000	-
Dwight Facility	8,038	-
Merritt Building	2,988	2,988
Rosemary Street	-	1,032,398
	$ 69,526	$ 1,060,786

During fiscal year 2016, the Agency purchased on one of their residential properties, Rosemary Street. This project was in construction in progress as of June 30, 2016. This project was completed as of June 30, 2017, and the construction in progress amounts incurred was transferred to property and equipment upon its being placed in service.

8. LINE OF CREDIT

The Agency had available up to $1,000,000 under a line of credit agreement with a bank. Borrowings under the agreement were due on demand and interest was payable monthly at the one-month London Interbank Offered Rate (LIBOR) (0.46% at June 30, 2016), plus 2.5%. As of June 30, 2016, there was no outstanding balance under this agreement. The Agency was required to maintain certain financial ratios and levels of working capital, as specified in the agreement. The Agency was also required to meet certain covenants before any advances could be drawn. The Agency was in compliance with these financial ratios and covenants at June 30, 2016. The Agency did not renew the line of credit agreement in fiscal year 2017.

9. MORTGAGE NOTES PAYABLE

Mortgage notes payable consist of the following at June 30:

	2017		2016	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
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 0.96% and 0.45% as of June 30, 2017 and 2016, respectively. 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 deposited cash into a bond sinking fund to provide for future payments of principal and interest (see Note 4). This note is secured by specific real estate.	$ 2,384,575	$ 43,820	$ 2,582,695	$ 46,517
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, 2017 and 2016, was 0.96% and 0.45%, respectively. Annual principal and interest payments are due on June 15th of each year through 2027. Under the terms of this agreement, the Agency deposited cash into a bond sinking fund to provide for future payments of principal and interest (see Note 4). This note is secured by specific real estate.	843,145	40,583	928,476	42,587
Mortgage note payable agreement with a bank for $686,250. The note bears interest at 4.5%. Monthly principal and interest payments of $3,748 are required through December 2045. This note is secured by specific real estate.	670,941	-	681,797	-

9. MORTGAGE NOTES PAYABLE (Continued)

	2017		2016	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Mortgage note payable agreement with a bank for $543,750. The note bears interest at 4.375%. Monthly principal and interest payments of $2,715 are required commencing October 2017 through September 2046. This note is secured by specific real estate.	537,264	-	-	-
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, 2017 and 2016, was 0.96% and 0.45%, respectively. 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 deposited cash into a bond sinking fund to provide for future payments of principal and interest (see Note 4). This note is secured by specific real estate.	527,967	9,227	557,804	9,975
Mortgage note payable agreement with a bank for $500,000. The note bears interest at 4.5%. Monthly principal and interest payments of $2,554 are required through December 2045. This note is secured by specific real estate.	491,035	-	499,302	-
	5,454,927	93,630	5,250,074	99,079
Less - current portion	342,238	-	329,847	-
	$ 5,112,689	$ 93,630	$ 4,920,227	$ 99,079

Amortization of debt issuance costs was $5,449 for the years ended June 30, 2017 and 2016, and is expected to be the same for the remainder for the term.

9. MORTGAGE NOTES PAYABLE (Continued)

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

2018	$ 342,238
2019	$ 345,421
2020	$ 348,775
2021	$ 352,311
2022	$ 356,037

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 as defined in the agreement. This fee was approximately $58,000 and $61,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

Total interest expense on the mortgages, including the letter of credit fee disclosed above, was $178,426 and $105,997 for the years ended June 30, 2017 and 2016, respectively, and is included in interest in the accompanying combined statements of functional expenses. During 2016, approximately $22,000 of interest was capitalized in relation to certain mortgage notes payable (see pages 16-17).

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, 2017 and 2016:

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, 2017 and 2016. 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, 2017 and 2016. All unpaid principal is due in full on October 12, 2030. CEDAC has the right to postpone payment until October 12, 2040.	225,745

10. CONDITIONAL DEBT (Continued)

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, 2017 and 2016. All unpaid principal is due in full on August 22, 2032. CEDAC has the right to postpone payment until August 22, 2042.	221,703
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, 2017 and 2016. 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, 2017 and 2016. 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, 2017 and 2016, the Affiliates have received cumulative capital advances from HUD totaling $3,043,955. 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, 2017 and 2016. 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.

These amounts total $3,562,152 and are included in temporarily restricted net assets in the accompanying combined statements of financial position (see Note 2).

11. COMMITMENTS (Continued)

Leases

On August 19, 2011, the Center entered into a two-year lease agreement for a property in Newton, Massachusetts, which was used as an autistic residential group home. The Center paid 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 began renting as a tenant-at-will. Rent expense under this lease agreement for the years ended June 30, 2017 and 2016, was $13,500 and $54,000, respectively, and is included in occupancy in the accompanying combined statements of functional expenses. When Agency's Rosemary Street project was placed into service (see Note 7) in fiscal year 2017, all consumers moved to Rosemary Street and the tenant-at-will agreement ended.

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 $107,887 and $105,287 for the years ended June 30, 2017 and 2016, respectively, and are included in occupancy in the accompanying combined statements of functional expenses. Remaining future minimum lease payments are as follows:

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 $44,871 and $43,114 for the years ended June 30, 2017 and 2016, 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 former President. Under the terms of the Deferred Compensation Plan, funds deposited by the Agency, as well as reinvested investment income, remains the property of the Agency during a vesting period. At June 30, 2016, the Agency had $376,340 in a related account, which was included in cash and cash equivalents in the accompanying 2016 combined statement of financial position. A corresponding liability had been recorded and is included in accounts payable, accrued expenses and other in the accompanying 2016 combined statement of financial position. The former President vested in these contributions in accordance with the terms of the Deferred Compensation Plan until his retirement in fiscal year 2017 at which time all funds were distributed to him.

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

In fiscal year 2017, the Chairman of the Board of Directors is a licensed real estate agent who represented the Agency in the purchase of Condor Road in Sharon (see Note 6). As part of the purchase, the real estate company for which he works received a commission of approximately $8,712.

The son of the Treasurer of the Board of Directors represented the Agency for legal closing on Condor Road and Rosemary Street (see Note 6 and 7). As part of the purchase, the legal fees incurred with the projects were approximately $1,623 and $1,500 for the years ended June 30, 2017 and 2016, respectively.

A member of the Board of Directors owns the disposal company that provides services to the Agency. Services received during the fiscal year 2017 and 2016 totaled approximately $1,200 and $1,000, respectively.

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

15. RECLASSIFICATIONS

Certain amounts in the fiscal year 2016 combined financial statements have been reclassified to conform with the fiscal year 2017 combined presentation.

Combining Statement of Financial Position
June 30, 2017

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 Total Before Eliminations	Eliminations	Combined Total
Current Assets:										
Cash and cash equivalents	$ 4,744,620	$ 817	$ 2,748	$ 3,544	$ 882	$ 749	$ 3,492	$ 4,756,852	$ -	$ 4,756,852
Current portion of restricted cash	-	21,209	45,865	42,294	43,358	95,906	16,988	265,620	-	265,620
Accounts receivable, net of allowance for doubtful accounts of approximately $25,000	2,611,438	-	-	-	-	-	-	2,611,438	-	2,611,438
Prepaid expenses and other	171,914	-	-	-	-	-	-	171,914	-	171,914
Total current assets	7,527,972	22,026	48,613	45,838	44,240	96,655	20,480	7,805,824	-	7,805,824
Certificate of Deposit	120,059	-	-	-	-	-	-	120,059	-	120,059
Restricted Cash, net of current portion	37,214	-	-	-	-	-	-	37,214	-	37,214
Investments	11,103,913	-	-	-	-	-	-	11,103,913	-	11,103,913
Due from Affiliates	1,139,360	-	-	-	-	-	-	1,139,360	(1,139,360)	-
Construction in Progress	59,526	-	-	10,000	-	-	-	69,526	-	69,526
Property and Equipment, net	13,463,258	682,877	322,732	315,892	350,403	455,194	838,043	16,428,399	(138,103)	16,290,296
Total assets	$ 33,451,302	$ 704,903	$ 371,345	$ 371,730	$ 394,643	$ 551,849	$ 858,523	$ 36,704,295	$ (1,277,463)	$ 35,426,832
Liabilities and Net Assets										
Current Liabilities:										
Current portion of mortgage notes payable	$ 342,238	$ -	$ -	$ -	$ -	$ -	$ -	$ 342,238	$ -	$ 342,238
Accounts payable, accrued expenses and other	1,776,832	13,933	6,927	5,519	10,106	13,012	5,386	1,831,715	-	1,831,715
Total current liabilities	2,119,070	13,933	6,927	5,519	10,106	13,012	5,386	2,173,953	-	2,173,953
Mortgage Notes Payable and Unamortized Debt Issuance Costs, net of current portion	5,019,059	-	-	-	-	-	-	5,019,059	-	5,019,059
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	7,138,129	385,043	228,586	163,291	94,771	118,815	203,737	8,332,372	(1,139,360)	7,193,012
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	7,138,129	385,043	454,331	239,384	183,641	340,518	477,081	9,218,127	(1,139,360)	8,078,767
Net Assets:										
Unrestricted:										
Operating	11,069,472	(384,226)	(225,838)	(159,747)	(93,889)	(118,066)	(200,245)	9,887,461	(86,680)	9,800,781
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,918,701	(62,114)	(393,436)	(80,907)	(108,909)	(225,097)	(56,683)	6,991,555	(51,423)	6,940,132
Total unrestricted	25,988,173	(446,340)	(619,274)	(240,654)	(202,798)	(343,163)	(256,928)	23,879,016	(138,103)	23,740,913
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	26,313,173	319,860	(82,986)	132,346	211,002	211,331	381,442	27,486,168	(138,103)	27,348,065
Total liabilities and net assets	$ 33,451,302	$ 704,903	$ 371,345	$ 371,730	$ 394,643	$ 551,849	$ 858,523	$ 36,704,295	$ (1,277,463)	$ 35,426,832

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 Total 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	2,957,907	-	-	-	-	1,420	-	2,959,327	-	2,959,327
Prepaid expenses and other	167,072	74	344	3,011	-	2,692	70	173,263	-	173,263
Total current assets	6,359,570	16,198	47,394	62,334	35,809	93,470	20,295	6,635,070	-	6,635,070
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	$ 30,984,493	$ 730,589	$ 400,984	$ 386,772	$ 397,537	$ 572,015	$ 881,116	$ 34,353,506	$ (1,277,463)	$ 33,076,043
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 and Unamortized Debt Issuance Costs, net of current portion	4,821,148	-	-	-	-	-	-	4,821,148	-	4,821,148
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	7,115,691	387,103	232,452	164,167	93,795	113,703	207,756	8,314,667	(1,139,360)	7,175,307
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	7,115,691	387,103	458,197	240,260	182,665	335,406	481,100	9,200,422	(1,139,360)	8,061,062
Net Assets:										
Unrestricted:										
Operating	8,687,586	(386,400)	(230,857)	(156,923)	(93,656)	(107,569)	(207,366)	7,504,815	(86,680)	7,418,135
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,856,216	(36,314)	(362,644)	(69,565)	(105,272)	(210,316)	(30,988)	7,041,117	(51,423)	6,989,694
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	$ 30,984,493	$ 730,589	$ 400,984	$ 386,772	$ 397,537	$ 572,015	$ 881,116	$ 34,353,506	$ (1,277,463)	$ 33,076,043

Combining Statement of Activities
For the Year Ended June 30, 2017

	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 Total Before Eliminations	Eliminations	Combined Total
Unrestricted Net Assets:										
Operating support and revenue:										
Contract revenue and program service fees	$ 24,738,133	$ 86,010	$ 60,347	$ 44,400	$ 47,861	$ 65,709	$ 43,560	$ 25,086,020	$ (17,040)	$ 25,068,980
Fundraising revenue	437,882	-	-	-	-	-	-	437,882	-	437,882
Investment income, net of fees	309,557	3	43	53	38	89	17	309,800	-	309,800
Commercial products and services	106,027	-	-	-	-	-	-	106,027	-	106,027
Grants	31,681	-	-	-	-	-	-	31,681	-	31,681
Other	36,155	-	-	-	-	-	-	36,155	(32,431)	3,724
Total operating support and revenue	25,659,435	86,013	60,390	44,453	47,899	65,798	43,577	26,007,565	(49,471)	25,958,094
Operating expenses:										
Program services:										
Residential	13,036,292	109,639	86,163	58,619	51,769	91,076	62,151	13,495,709	(49,471)	13,446,238
Day activities	6,088,080	-	-	-	-	-	-	6,088,080	-	6,088,080
Family support	2,504,984	-	-	-	-	-	-	2,504,984	-	2,504,984
Total program services	21,629,356	109,639	86,163	58,619	51,769	91,076	62,151	22,088,773	(49,471)	22,039,302
Supporting services:										
General and administrative	2,389,100	-	-	-	-	-	-	2,389,100	-	2,389,100
Fundraising	205,721	-	-	-	-	-	-	205,721	-	205,721
Total supporting services	2,594,821	-	-	-	-	-	-	2,594,821	-	2,594,821
Total operating expenses	24,224,177	109,639	86,163	58,619	51,769	91,076	62,151	24,683,594	(49,471)	24,634,123
Changes in unrestricted net assets from operations	1,435,258	(23,626)	(25,773)	(14,166)	(3,870)	(25,278)	(18,574)	1,323,971	-	1,323,971
Non-operating revenues:										
Net realized/unrealized gains on investments	721,650	-	-	-	-	-	-	721,650	-	721,650
Bequest	287,463	-	-	-	-	-	-	287,463		287,463
Total non-operating revenues	1,009,113	-	-	-	-	-	-	1,009,113	-	1,009,113
Changes in net assets	$ 2,444,371	$ (23,626)	$ (25,773)	$ (14,166)	$ (3,870)	$ (25,278)	$ (18,574)	$ 2,333,084	$ -	$ 2,333,084

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 Total 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 unrestricted net assets	1,473,508	(21,901)	(40,480)	2,054	(5,322)	(23,140)	(27,696)	1,357,023	-	1,357,023
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

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

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 Cluster):	14.856		
Direct		N/A	206,555
Pass-through Local Governments		N/A	52,419
Total Lower Income Housing Assistance Program _Section 8 Moderate Rehabilitation (Section 8 Project-Based Cluster)			258,974
Total Expenditures of Federal Awards			$ 3,676,126

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, 2017.

Note 3. Indirect Cost Rate

The Agency has elected not to use the 10% de minimis cost rate for its Federal programs.

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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, 2017, 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 24, 2017.

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.

Boston, Massachusetts
October 24, 2017

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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, 2017. 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, 2017.

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 29. 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.

Boston, Massachusetts
October 24, 2017

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 Federal program:

• 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 program: 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