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, 2019 AND 2018

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

Contents
June 30, 2019 and 2018

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

Independent Auditor's Report

To the Boards 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019, 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 22, 2019, 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 solely 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 the effectiveness of the Agency's 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 22, 2019

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

Combined Statements of Financial Position
June 30, 2019 and 2018

Assets	**2019**	**2018**
Current Assets:		
Cash and cash equivalents	$ 5,619,672	$ 5,824,491
Restricted cash	273,647	271,869
Accounts receivable, net of allowance for doubtful accounts of approximately $13,000 and $8,000 at June 30, 2019 and 2018, respectively	2,760,463	2,840,252
Prepaid expenses and other	238,390	408,231
Total current assets	8,892,172	9,344,843
Certificate of Deposit	123,838	121,144
Investments	13,743,822	11,887,425
Construction in Progress	9,129	87,870
Property and Equipment, net	15,610,643	15,682,306
Total assets	$ 38,379,604	$ 37,123,588
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes and bonds payable	$ 417,830	$ 405,783
Accounts payable, accrued expenses and other	2,014,375	1,858,947
Total current liabilities	2,432,205	2,264,730
Mortgage Notes and Bonds Payable and Unamortized Debt Issuance Costs, net of current portion	4,409,035	4,820,377
Total liabilities before conditional debt	6,841,240	7,085,107
Conditional Debt	885,755	885,755
Total liabilities	7,726,995	7,970,862
Net Assets:		
Without donor restrictions:		
Operating	13,231,803	12,090,916
Board designated	7,000,000	7,000,000
Property and equipment	6,705,327	6,454,658
Total without donor restrictions	26,937,130	25,545,574
With donor restrictions	3,715,479	3,607,152
Total net assets	30,652,609	29,152,726
Total liabilities and net assets	$ 38,379,604	$ 37,123,588

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, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Operating support and revenue:		
Contract revenue and program service fees	$ 26,354,336	$ 25,498,942
Investment income, net of fees	571,543	359,728
Fundraising revenue	336,632	508,073
Commercial products and services	50,341	76,695
Grants	29,353	82,189
Other	434	35,609
Total operating support and revenue	27,342,639	26,561,236
Operating expenses:		
Program services:		
Residential	14,619,192	14,273,976
Day activities	6,195,558	5,744,355
Family support	2,821,295	2,594,775
Total program services	23,636,045	22,613,106
Supporting services:		
General and administrative	2,421,150	2,349,071
Fundraising	231,984	251,893
Total supporting services	2,653,134	2,600,964
Total operating expenses	26,289,179	25,214,070
Changes in net assets without donor restrictions from operations	1,053,460	1,347,166
Non-operating revenue:		
Net realized/unrealized gains on investments	338,096	457,495
Changes in net assets without donor restrictions	1,391,556	1,804,661
Net Assets With Donor Restrictions:		
Fundraising revenue	108,327	-
Changes in net assets	$ 1,499,883	$ 1,804,661

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 Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2017	$ 23,740,913	$ 3,607,152	$ 27,348,065
Changes in net assets	1,804,661	-	1,804,661
Balance, June 30, 2018	25,545,574	3,607,152	29,152,726
Changes in net assets	1,391,556	108,327	1,499,883
Balance, June 30, 2019	$ 26,937,130	$ 3,715,479	$ 30,652,609

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Changes in net assets	$ 1,499,883	$ 1,804,661
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,019,325	1,042,432
Amortization of debt issuance costs	6,470	7,548
Bad debts	8,737	1,012
Loss on disposal of property and equipment	-	18,326
Write-off of debt issuance costs	-	93,630
Net unrealized/realized gains on investments	(338,096)	(457,495)
Changes in operating assets and liabilities:		
Accounts receivable	71,052	(229,826)
Prepaid expenses and other	169,841	(236,317)
Accounts payable, accrued expenses and other	155,428	27,232
Net cash provided by operating activities	2,592,640	2,071,203
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(256,826)	(394,093)
Cash paid for construction in progress	(612,095)	(77,019)
Purchases of investments	(1,518,301)	(326,017)
Increase (decrease) in restricted cash	(1,778)	30,965
Increase in certificate of deposit	(2,694)	(1,085)
Net cash used in investing activities	(2,391,694)	(767,249)
Cash Flows from Financing Activities:		
Principal payments of mortgage notes and bonds payable	(405,765)	(5,718,867)
Proceeds from issuance of mortgage notes payable	-	5,556,546
Payment of debt issuance costs	-	(73,994)
Net cash used in financing activities	(405,765)	(236,315)
Net Change in Cash and Cash Equivalents	(204,819)	1,067,639
Cash and Cash Equivalents:		
Beginning of year	5,824,491	4,756,852
End of year	$ 5,619,672	$ 5,824,491
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 154,352	$ 164,243
Supplemental Disclosure of Non-Cash Transaction:		
Construction in progress placed in service	$ 690,836	$ 58,675

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, 2019
(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019								2018
	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	$ 9,683,583	$ 3,993,867	$ 1,162,644	$ 14,840,094	$ 1,282,840	$ 115,556	$ 1,398,396	$ 16,238,490	$ 15,276,388
Employee benefits	1,377,662	580,426	97,641	2,055,729	182,149	2,581	184,730	2,240,459	2,251,031
Payroll taxes	796,069	302,373	90,545	1,188,987	86,639	9,142	95,781	1,284,768	1,243,749
Total personnel costs	11,857,314	4,876,666	1,350,830	18,084,810	1,551,628	127,279	1,678,907	19,763,717	18,771,168
Occupancy	875,685	587,979	96,941	1,560,605	-	5,300	5,300	1,565,905	1,564,558
Depreciation	613,672	159,302	17,133	790,107	67,816	-	67,816	857,923	880,736
Program and office support	389,636	119,815	57,194	566,645	265,849	1,892	267,741	834,386	777,223
Contracted services	103,706	238,679	426,364	768,749	-	-	-	768,749	663,748
Stipends	-	-	765,335	765,335	-	-	-	765,335	736,223
Transportation	225,561	109,330	8,450	343,341	51,013	-	51,013	394,354	352,275
Professional fees	-	-	-	-	363,728	19,683	383,411	383,411	418,566
Food	333,725	-	221	333,946	-	-	-	333,946	327,214
Program supplies	76,433	69,020	44,891	190,344	1,788	-	1,788	192,132	218,670
Interest	108,851	6,208	-	115,059	45,763	-	45,763	160,822	171,791
Staff travel and training	32,018	22,351	46,010	100,379	24,850	493	25,343	125,722	112,844
Fundraising expenses	-	-	-	-	-	73,766	73,766	73,766	136,241
Miscellaneous	576	6,208	1,204	7,988	48,715	3,571	52,286	60,274	81,801
Bad debts	2,015	-	6,722	8,737	-	-	-	8,737	1,012
Total operating expenses	$ 14,619,192	$ 6,195,558	$ 2,821,295	$ 23,636,045	$ 2,421,150	$ 231,984	$ 2,653,134	$ 26,289,179	$ 25,214,070

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, 2018

	Program Services				Supporting Services			
	Residential	Day Activities	Family Support	Total Program Service	General and Adminis-trative	Fundraising	Total Supporting Services	Total
Operating Expenses:								
Personnel costs:								
Salaries and wages	$ 9,295,398	$ 3,696,233	$ 1,030,301	$ 14,021,932	$ 1,183,750	$ 70,706	$ 1,254,456	$ 15,276,388
Employee benefits	1,388,123	559,039	114,973	2,062,135	177,259	11,637	188,896	2,251,031
Payroll taxes	796,668	282,709	81,289	1,160,666	77,784	5,299	83,083	1,243,749
Total personnel costs	11,480,189	4,537,981	1,226,563	17,244,733	1,438,793	87,642	1,526,435	18,771,168
Occupancy	881,565	596,919	77,932	1,556,416	3,048	5,094	8,142	1,564,558
Depreciation	660,390	152,271	21,951	834,612	46,124	-	46,124	880,736
Program and office support	372,504	92,345	44,376	509,225	267,472	526	267,998	777,223
Contracted services	103,587	155,811	404,350	663,748	-	-	-	663,748
Stipends	-	-	736,223	736,223	-	-	-	736,223
Transportation	192,940	112,171	10,132	315,243	37,032	-	37,032	352,275
Professional fees	-	-	-	-	398,540	20,026	418,566	418,566
Food	327,043	-	171	327,214	-	-	-	327,214
Program supplies	97,353	74,075	40,217	211,645	7,025	-	7,025	218,670
Interest	119,505	6,196	-	125,701	46,090	-	46,090	171,791
Staff travel and training	36,612	11,007	32,242	79,861	31,774	1,209	32,983	112,844
Fundraising expenses	-	-	-	-	-	136,241	136,241	136,241
Miscellaneous	1,276	5,579	618	7,473	73,173	1,155	74,328	81,801
Bad debts	1,012	-	-	1,012	-	-	-	1,012
Total operating expenses	$ 14,273,976	$ 5,744,355	$ 2,594,775	$ 22,613,106	$ 2,349,071	$ 251,893	$ 2,600,964	$ 25,214,070

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

Adoption of New Accounting Standard

During fiscal year 2019, the Agency adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This ASU modified the current guidance over several criteria, of which the following affected the Agency's combined financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets.
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the combined statement of financial position date.
- A more detailed explanation of the methods used to allocate costs among program and supporting services.

The adoption of this ASU did not impact the Agency's net asset balances, change in net assets, or cash flows for the year ended June 30, 2018. This ASU provides an option to omit disclosures about liquidity and availability of resources for fiscal year 2018.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. There were no amounts due to or from the LLC as of June 30, 2019 or 2018, or revenues earned or expenses incurred by the Agency for the LLC during fiscal year 2019 or 2018. 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.

Debt Issuance Costs

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. Grants without donor restrictions are recorded as revenue when received or unconditionally pledged. Revenue from donor restricted grants is recorded as net assets with donor restrictions when the Agency receives a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions. All other revenues are recorded as earned.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions 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, 2019 and 2018:

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, portions of restricted cash and construction in progress, net of related debt.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions

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

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Capital advances (see Note 11)	$ 3,562,152	$ 3,562,152
Purpose restricted	108,327	-
Endowment funds	45,000	45,000
Total	$ 3,715,479	$ 3,607,152

Combined Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying combined statements of activities. Non-operating revenue for the years ended June 30, 2019 and 2018, includes net realized and unrealized gains on investments.

Expense Allocation

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages, employee benefits and payroll taxes, which are allocated on the basis of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis occupied by a particular program or department; and general and administrative costs, which are allocated based on a pro-rata percentage of the overall expenses of the Agency.

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 22, 2019, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018, the Agency held a thirty-six-month certificate of deposit (CD) which was set to mature in August 2018 and was renewed through August 2021. The CD bears interest at 0.90% at June 30, 2019 and 2018. The CD is reflected as a long-term asset on the accompanying combined statements of financial position due to the length of its initial term and management's intent to continue to renew it upon maturity.

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. Renewals and betterments of $5,000 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
Buildings and 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 Goods and 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 $55,440 of goods during the year ended June 30, 2018, which is included in fundraising revenue and fundraising expenses in the accompanying combined financial statements. The value recorded is based upon the estimated value assigned to them by the donor agencies or management. There were no donated goods received for the year ended June 30, 2019.

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, 2019 and 2018.

3. FUNDING AND CONCENTRATIONS

The Agency receives a significant portion of its total operating support and revenue (approximately 74% for the years ended June 30, 2019 and 2018) 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, 2019 and 2018, or on its combined changes in net assets for the years then ended.

Approximately 75% and 72% of the Agency's accounts receivable at June 30, 2019 and 2018, respectively, were due from DDS.

Approximately 12% of the Agency's total operating support and revenue for the years ended June 30, 2019 and 2018, was from Medicaid.

Approximately 21% of the Agency's accounts receivable at June 30, 2019 and 2018, was 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 of restricted cash consists of the following as of June 30:

	2019	2018
Reserve for replacements	$ 259,792	$ 257,692
Tenant security deposits	9,427	9,753
Residual receipts	3,512	3,509
Other reserves	916	915
Total	$ 273,647	$ 271,869

5. INVESTMENTS

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

2019	Level 1	Level 2	Level 3	Total
Mutual funds:				
Stocks	$ 4,175,954	$ -	$ -	$ 4,175,954
Foreign stocks	3,129,681	-	-	3,129,681
Multi-strategy	2,797,687	-	-	2,797,687
Fixed income and other	1,432,419	-	-	1,432,419
Total mutual funds	11,535,741	-	-	11,535,741
Exchange traded funds	1,703,866	-	-	1,703,866
Money market account	504,215	-	-	504,215
	$ 13,743,822	$ -	$ -	$ 13,743,822

2018	Level 1	Level 2	Level 3	Total
Mutual funds:				
Stocks	$ 4,454,106	$ -	$ -	$ 4,454,106
Foreign stocks	1,280,796	-	-	1,280,796
Multi-strategy	3,380,135	-	-	3,380,135
Fixed income and other	1,246,431	-	-	1,246,431
Total mutual funds	10,361,468	-	-	10,361,468
Exchange traded funds	1,507,570	-	-	1,507,570
Money market account	18,387	-	-	18,387
	$ 11,887,425	$ -	$ -	$ 11,887,425

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:

	2019	2018
Land	$ 3,537,211	$ 3,537,211
Buildings and building and land improvements	21,807,328	20,997,871
Vehicles	2,193,728	2,240,970
Furniture and equipment	1,587,110	1,513,510
	29,125,377	28,289,562
Less - accumulated depreciation	13,514,734	12,607,256
	$ 15,610,643	$ 15,682,306

6. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was $1,019,325 and $1,042,432 for the years ended June 30, 2019 and 2018, respectively, of which $161,402 and $161,696, respectively, are included in occupancy in the accompanying combined statements of functional expenses.

7. CONSTRUCTION IN PROGRESS

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

	2019	2018
Dwight Facility	$ 6,316	$ 85,057
IT Projects	2,813	2,813
	$ 9,129	$ 87,870

As projects are completed and placed in service they are removed from construction in progress and transferred to property and equipment in the accompanying combined statements of financial position.

8. LINE OF CREDIT

During fiscal year 2018, the Agency entered into a capital expenditure line of credit agreement with a bank which allows for borrowing up to $1,000,000. Borrowings under the agreement are due on demand and interest is payable at a rate of 5.5% and 5% at June 30, 2019 and 2018, respectively. All borrowings are secured by real property and equipment purchased using the proceeds of the line of credit. The agreement has a renewable one-year term through October 2019. As of June 30, 2019 and 2018, 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, 2019 and 2018.

9. BONDS PAYABLE

Bonds payable consist of the following at June 30:

	2019		2018	
	Principal	**Unamortized Debt Issuance Costs**	**Principal**	**Unamortized Debt Issuance Costs**
Series A tax exempt bond payable agreement with a bank for $3,843,909. The bond bears interest at 2.98%. Monthly principal and interest payments of $37,158 are required through October 2027. This bond is secured by specific real estate. This bond is subject to prepayment penalties as defined in the agreement.	$ 3,280,896	$ 41,490	$ 3,622,032	$ 45,966
Series B tax exempt bond payable agreement with a bank for $1,712,637. The bond bears interest at 2.98% through October 2027 and then adjusts to a rate of .65 times the sum of the Federal Home Loan Bank (FHLB) "Classic Ten-Year Advance Rate" plus 1.40%, provided the rate is no less than 2.85% through October 2037. Monthly principal and interest payments of $9,518 are required through October 2037, at which time the bond will be paid in full. This bond is secured by specific real estate. This bond is subject to prepayment penalties as defined in the agreement.	1,605,945	18,486	1,670,574	20,480
	4,886,841	59,976	5,292,606	66,466
Less - current portion	417,830	-	405,783	-
	$ 4,469,011	$ 59,976	$ 4,886,823	$ 66,446

Amortization of debt issuance costs was $6,470 and $7,548 for the years ended June 30, 2019 and 2018, respectively, and is included in interest in the accompanying combined statements of functional expenses. Amortization of debt issuance costs is expected to remain the same as fiscal year 2019 amortization for the remainder of the term of the applicable bonds payable.

9. BONDS PAYABLE (Continued)

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

2020	$ 417,830
2021	$ 431,015
2022	$ 444,219
2023	$ 457,829
2024	$ 471,627

The note payable agreements contain various covenants with which the Agency must comply. The Agency was in compliance with these covenants at June 30, 2019 and 2018.

Total interest expense on the bonds was $154,352 and $164,243 for the years ended June 30, 2019 and 2018, respectively, and is included in interest in the accompanying combined statements of functional expenses.

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 Boards 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, 2019 and 2018:

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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018. 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 reflected as net assets with donor restrictions in the accompanying combined statements of financial position (see Note 2).

11. COMMITMENTS (Continued)

Leases

The Center has a lease agreement for office space in Natick, Massachusetts, which expires on January 31, 2026. The Center is responsible for monthly rental payments of $7,425 through January 2021, which then increase through January 2026, as well as additional operating expenses of approximately $2,000 per month. Rent expense and related expenses totaled $117,721 and $110,026 for the years ended June 30, 2019 and 2018, respectively, and are included in occupancy in the accompanying combined statements of functional expenses. The Center elected not to straight-line the rent expense in accordance with ASC Topic, *Leases*, under U.S. GAAP as it was determined that the effect would be immaterial to the combined financial statements. Remaining future minimum lease payments for the years ending June 30 are as follows:

2020	$ 89,100
2021	90,725
2022	93,000
2023	93,000
2024	93,625
Thereafter	149,625
	$ 609,075

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 earliest 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 $47,886 and $46,401 for the years ended June 30, 2019 and 2018, respectively, and are included in employee benefits in the accompanying combined statements of functional expenses.

Deferred Compensation Plan

In fiscal year 2017, the Agency entered into a deferred compensation agreement with its President. As of June 30, 2019 and 2018, the Agency recorded a liability of $150,000 and $100,000, respectively ($50,000 per year starting in fiscal year 2017), that is included in accounts payable, accrued expenses and other in the accompanying combined statements of financial position. The Agency maintains the balance in cash and cash equivalents and has not yet deposited the funds into an investment account in accordance with the terms of the Deferred Compensation Plan. This is anticipated to occur in fiscal year 2020 with the input on investment selections from the President.

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

A member of the Board of Directors owns a disposal company that provided services to the Agency. Services received during the fiscal year 2018 totaled approximately $300.

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

As of June 30, 2019 and 2018, the Affiliates owed $1,322,432 and $1,277,463, respectively, to the Center for operating costs paid on the Affiliates behalf, of which $44,969 is reflected as current and $1,139,360 is reflected as long-term as of June 30, 2019, and $1,277,463 is reflected as long-term as of June 30, 2018, in the accompanying combined statements of financial position.

For the years ended June 30, 2019 and 2018, the Center earned $17,040 of rental income from one of the Affiliates and $32,526 and $32,319, respectively, of management fees from the Affiliates, which are included in the accompanying combined statements of activities.

15. LIQUIDITY

Financial assets available for use by the Agency within one year from the combined statement of financial position date are as follows as of June 30, 2019:

Cash and cash equivalents	$ 5,619,672
Accounts receivable, net of allowance	2,760,463
	8,380,135
Less - purpose restricted net assets (see Note 2)	(108,327)
Total financial assets	$ 8,271,808

The Agency has a policy to structure its financial assets to be available and liquid as obligations become due. As of June 30, 2019, the Agency has financial assets equal to approximately four months of operating expenses. In addition, the Agency has approximately $13,700,000 in investments held for long-term growth and sustainability (see Note 5). At any given time, the investments could be liquidated to meet ongoing obligations with approval of the Board of Directors. These investments approximate six months of operating expenses.

16. RECLASSIFICATIONS

Certain amounts in the fiscal year 2018 combined financial statements have been reclassified to conform with the fiscal year 2019 combined presentation.

Combining Statement of Financial Position
June 30, 2019

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	$ 5,573,227	$ 13,707	$ 14,196	$ 543	$ 4,700	$ 8,547	$ 4,752	$ 5,619,672	$ -	$ 5,619,672
Restricted cash	-	28,734	53,205	18,410	34,758	113,098	25,442	273,647	-	273,647
Accounts receivable, net of allowance for doubtful accounts of approximately $13,000	2,760,463	-	-	-	-	-	-	2,760,463	-	2,760,463
Current portion of due from affiliates	44,969	-	-	-	-	-	-	44,969	(44,969)	-
Prepaid expenses and other	238,302	-	-	-	-	-	88	238,390	-	238,390
Total current assets	8,616,961	42,441	67,401	18,953	39,458	121,645	30,282	8,937,141	(44,969)	8,892,172
Certificate of Deposit	123,838	-	-	-	-	-	-	123,838	-	123,838
Investments	13,743,822	-	-	-	-	-	-	13,743,822	-	13,743,822
Due from Affiliates	1,139,360	-	-	-	-	-	-	1,139,360	(1,139,360)	-
Construction in Progress	9,129	-	-	-	-	-	-	9,129	-	9,129
Property and Equipment, net	12,959,337	630,652	272,693	335,087	348,567	408,749	793,661	15,748,746	(138,103)	15,610,643
Total assets	$ 36,592,447	$ 673,093	$ 340,094	$ 354,040	$ 388,025	$ 530,394	$ 823,943	$ 39,702,036	$ (1,322,432)	$ 38,379,604
Liabilities and Net Assets										
Current Liabilities:										
Current portion of mortgage notes and bonds payable	$ 417,830	$ -	$ -	$ -	$ -	$ -	$ -	$ 417,830	$ -	$ 417,830
Accounts payable, accrued expenses and other	1,970,146	9,950	5,508	5,398	11,297	6,286	5,790	2,014,375	-	2,014,375
Current portion of due to affiliate	-	7,480	14,131	4,748	9,613	6,624	2,373	44,969	(44,969)	-
Total current liabilities	2,387,976	17,430	19,639	10,146	20,910	12,910	8,163	2,477,174	(44,969)	2,432,205
Mortgage Notes and Bonds Payable and Unamortized Debt Issuance Costs, net of current portion	4,409,035	-	-	-	-	-	-	4,409,035	-	4,409,035
Due to Affiliates, net of current portion	-	371,110	221,659	157,772	84,665	105,803	198,351	1,139,360	(1,139,360)	-
Total liabilities before conditional debt	6,797,011	388,540	241,298	167,918	105,575	118,713	206,514	8,025,569	(1,184,329)	6,841,240
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	6,797,011	388,540	467,043	244,011	194,445	340,416	479,858	8,911,324	(1,184,329)	7,726,995
Net Assets:										
Without donor restrictions:										
Operating	14,500,508	(374,833)	(227,102)	(167,375)	(100,875)	(110,166)	(201,674)	13,318,483	(86,680)	13,231,803
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,861,601	(106,814)	(436,135)	(95,596)	(119,345)	(254,350)	(92,611)	6,756,750	(51,423)	6,705,327
Total without donor restrictions	29,362,109	(481,647)	(663,237)	(262,971)	(220,220)	(364,516)	(294,285)	27,075,233	(138,103)	26,937,130
With donor restrictions	433,327	766,200	536,288	373,000	413,800	554,494	638,370	3,715,479	-	3,715,479
Total net assets	29,795,436	284,553	(126,949)	110,029	193,580	189,978	344,085	30,790,712	(138,103)	30,652,609
Total liabilities and net assets	$ 36,592,447	$ 673,093	$ 340,094	$ 354,040	$ 388,025	$ 530,394	$ 823,943	$ 39,702,036	$ (1,322,432)	$ 38,379,604

Combining Statement of Financial Position
June 30, 2018

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	$ 5,816,503	$ 493	$ 1,038	$ 1,640	$ 909	$ 2,742	$ 1,166	$ 5,824,491	$ -	$ 5,824,491
Restricted cash	-	33,435	54,865	11,123	48,036	104,692	19,718	271,869	-	271,869
Accounts receivable, net of allowance for doubtful accounts of approximately $8,000	2,840,252	-	-	-	-	-	-	2,840,252	-	2,840,252
Prepaid expenses and other	408,143	-	-	-	-	-	88	408,231	-	408,231
Total current assets	9,064,898	33,928	55,903	12,763	48,945	107,434	20,972	9,344,843	-	9,344,843
Certificate of Deposit	121,144	-	-	-	-	-	-	121,144	-	121,144
Investments	11,887,425	-	-	-	-	-	-	11,887,425	-	11,887,425
Due from Affiliates	1,139,360	-	-	-	-	-	-	1,139,360	(1,139,360)	-
Construction in Progress	87,870	-	-	-	-	-	-	87,870	-	87,870
Property and Equipment, net	12,944,615	651,428	292,088	345,593	339,076	431,952	815,657	15,820,409	(138,103)	15,682,306
Total assets	$ 35,245,312	$ 685,356	$ 347,991	$ 358,356	$ 388,021	$ 539,386	$ 836,629	$ 38,401,051	$ (1,277,463)	$ 37,123,588
Liabilities and Net Assets										
Current Liabilities:										
Current portion of mortgage notes and bonds payable	$ 405,783	$ -	$ -	$ -	$ -	$ -	$ -	$ 405,783	$ -	$ 405,783
Accounts payable, accrued expenses and other	1,815,367	7,514	7,486	5,652	11,731	6,291	4,906	1,858,947	-	1,858,947
Total current liabilities	2,221,150	7,514	7,486	5,652	11,731	6,291	4,906	2,264,730	-	2,264,730
Mortgage Notes and Bonds Payable and Unamortized Debt Issuance Costs, net of current portion	4,820,377	-	-	-	-	-	-	4,820,377	-	4,820,377
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	7,041,527	378,624	229,145	163,424	96,396	112,094	203,257	8,224,467	(1,139,360)	7,085,107
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	7,041,527	378,624	454,890	239,517	185,266	333,797	476,601	9,110,222	(1,139,360)	7,970,862
Net Assets:										
Without donor restrictions:										
Operating	13,352,460	(378,131)	(228,107)	(161,784)	(95,487)	(109,352)	(202,003)	12,177,596	(86,680)	12,090,916
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,526,325	(81,337)	(415,080)	(92,377)	(115,558)	(239,553)	(76,339)	6,506,081	(51,423)	6,454,658
Total without donor restrictions	27,878,785	(459,468)	(643,187)	(254,161)	(211,045)	(348,905)	(278,342)	25,683,677	(138,103)	25,545,574
With donor restrictions	325,000	766,200	536,288	373,000	413,800	554,494	638,370	3,607,152	-	3,607,152
Total net assets	28,203,785	306,732	(106,899)	118,839	202,755	205,589	360,028	29,290,829	(138,103)	29,152,726
Total liabilities and net assets	$ 35,245,312	$ 685,356	$ 347,991	$ 358,356	$ 388,021	$ 539,386	$ 836,629	$ 38,401,051	$ (1,277,463)	$ 37,123,588

Combining Statement of Activities
For the Year Ended June 30, 2019

	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
Net Assets Without Donor Restrictions:										
Operating support and revenue:										
Contract revenue and program service fees	$ 26,024,131	$ 89,161	$ 62,400	$ 37,863	$ 48,960	$ 64,221	$ 44,640	$ 26,371,376	$ (17,040)	$ 26,354,336
Investment income, net of fees	571,303	7	57	14	40	98	24	571,543	-	571,543
Fundraising revenue	336,632	-	-	-	-	-	-	336,632	-	336,632
Commercial products and services	50,341	-	-	-	-	-	-	50,341	-	50,341
Grants	29,353	-	-	-	-	-	-	29,353	-	29,353
Other	32,970	-	-	-	-	-	-	32,970	(32,536)	434
Total operating support and revenue	27,044,730	89,168	62,457	37,877	49,000	64,319	44,664	27,392,215	(49,576)	27,342,639
Operating expenses:										
Program services:										
Residential	14,229,515	111,347	82,507	46,687	58,175	79,930	60,607	14,668,768	(49,576)	14,619,192
Day activities	6,195,558	-	-	-	-	-	-	6,195,558	-	6,195,558
Family support	2,821,295	-	-	-	-	-	-	2,821,295	-	2,821,295
Total program services	23,246,368	111,347	82,507	46,687	58,175	79,930	60,607	23,685,621	(49,576)	23,636,045
Supporting services:										
General and administrative	2,421,150	-	-	-	-	-	-	2,421,150	-	2,421,150
Fundraising	231,984	-	-	-	-	-	-	231,984	-	231,984
Total supporting services	2,653,134	-	-	-	-	-	-	2,653,134	-	2,653,134
Total operating expenses	25,899,502	111,347	82,507	46,687	58,175	79,930	60,607	26,338,755	(49,576)	26,289,179
Changes in net assets without donor restrictions from operations	1,145,228	(22,179)	(20,050)	(8,810)	(9,175)	(15,611)	(15,943)	1,053,460	-	1,053,460
Non-operating revenue:										
Net realized/unrealized gains on investments	338,096	-	-	-	-	-	-	338,096	-	338,096
Changes in net assets without donor restrictions	1,483,324	(22,179)	(20,050)	(8,810)	(9,175)	(15,611)	(15,943)	1,391,556	-	1,391,556
Net Assets With Donor Restrictions:										
Fundraising revenue	108,327	-	-	-	-	-	-	108,327	-	108,327
Changes in net assets	$ 1,591,651	$ (22,179)	$ (20,050)	$ (8,810)	$ (9,175)	$ (15,611)	$ (15,943)	$ 1,499,883	$ -	$ 1,499,883

Combining Statement of Activities
For the Year Ended June 30, 2018

	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
Net Assets Without Donor Restrictions:										
Operating support and revenue:										
Contract revenue and program service fees	$ 25,169,298	$ 87,015	$ 60,493	$ 44,400	$ 42,160	$ 67,976	$ 44,640	$ 25,515,982	$ (17,040)	$ 25,498,942
Investment income, net of fees	359,489	4	48	30	43	97	17	359,728	-	359,728
Fundraising revenue	508,073	-	-	-	-	-	-	508,073	-	508,073
Commercial products and services	76,695	-	-	-	-	-	-	76,695	-	76,695
Grants	82,189	-	-	-	-	-	-	82,189	-	82,189
Other	67,928	-	-	-	-	-	-	67,928	(32,319)	35,609
Total operating support and revenue	26,263,672	87,019	60,541	44,430	42,203	68,073	44,657	26,610,595	(49,359)	26,561,236
Operating expenses:										
Program services:										
Residential	13,890,461	100,147	84,454	57,937	50,450	73,815	66,071	14,323,335	(49,359)	14,273,976
Day activities	5,744,355	-	-	-	-	-	-	5,744,355	-	5,744,355
Family support	2,594,775	-	-	-	-	-	-	2,594,775	-	2,594,775
Total program services	22,229,591	100,147	84,454	57,937	50,450	73,815	66,071	22,662,465	(49,359)	22,613,106
Supporting services:										
General and administrative	2,349,071	-	-	-	-	-	-	2,349,071	-	2,349,071
Fundraising	251,893	-	-	-	-	-	-	251,893	-	251,893
Total supporting services	2,600,964	-	-	-	-	-	-	2,600,964	-	2,600,964
Total operating expenses	24,830,555	100,147	84,454	57,937	50,450	73,815	66,071	25,263,429	(49,359)	25,214,070
Changes in net assets without donor restrictions from operations	1,433,117	(13,128)	(23,913)	(13,507)	(8,247)	(5,742)	(21,414)	1,347,166	-	1,347,166
Non-operating revenue:										
Net realized/unrealized gains on investments	457,495	-	-	-	-	-	-	457,495	-	457,495
Changes in net assets	$ 1,890,612	$ (13,128)	$ (23,913)	$ (13,507)	$ (8,247)	$ (5,742)	$ (21,414)	$ 1,804,661	$ -	$ 1,804,661

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, 2019

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	206,382
Pass-through Local Governments		N/A	63,898
Total Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation (Section 8 Project-Based Cluster)			270,280
Total Expenditures of Federal Awards			$ 3,687,432

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, 2019.

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 Boards 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, 2019, 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 22, 2019.

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 22, 2019

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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 Boards 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, 2019. 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 programs.

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, 2019.

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 a 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 22, 2019

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