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, 2020 AND 2019

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

Contents
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 24 through 27 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, 2020, 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 March 9, 2021, 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.

AAFCPAs, Inc.

Boston, Massachusetts
March 9, 2021

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

Combined Statements of Financial Position
June 30, 2020 and 2019

Assets	**2020**	**2019**
Current Assets:		
Cash and cash equivalents	$ 7,591,019	$ 5,619,672
Restricted cash	290,431	273,647
Accounts receivable, net of allowance for doubtful accounts of approximately $29,000 and $13,000 at June 30, 2020 and 2019, respectively	3,134,695	2,760,463
Prepaid expenses and other	253,929	238,390
Total current assets	11,270,074	8,892,172
Certificate of Deposit	126,876	123,838
Investments	14,173,596	13,743,822
Construction in Progress	111,049	9,129
Property and Equipment, net	15,118,843	15,610,643
Total assets	$ 40,800,438	$ 38,379,604
Liabilities and Net Assets		
Current Liabilities:		
Current portion of note and bonds payable	$ 431,015	$ 417,830
Accounts payable, accrued expenses and other	2,319,165	2,014,375
Total current liabilities	2,750,180	2,432,205
Note and Bonds Payable and Unamortized Debt Issuance Costs, net of current portion	7,027,825	4,409,035
Total liabilities before conditional debt	9,778,005	6,841,240
Conditional Debt	885,755	885,755
Total liabilities	10,663,760	7,726,995
Net Assets:		
Without donor restrictions:		
Operating	12,677,618	13,231,803
Board designated	7,000,000	7,000,000
Property and equipment	6,743,581	6,705,327
Total without donor restrictions	26,421,199	26,937,130
With donor restrictions	3,715,479	3,715,479
Total net assets	30,136,678	30,652,609
Total liabilities and net assets	$ 40,800,438	$ 38,379,604

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, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions:		
Operating support and revenue:		
Contract revenue and program service fees	$ 26,741,737	$ 26,354,336
Investment income, net of fees	460,717	571,543
Fundraising revenue	376,327	336,632
Grants	42,538	29,353
Commercial products and services	40,844	50,341
Other	-	434
Total operating support and revenue	27,662,163	27,342,639
Operating expenses:		
Program services:		
Residential	16,827,042	14,619,192
Day activities	5,824,831	6,195,558
Family support	2,763,401	2,821,295
Total program services	25,415,274	23,636,045
Supporting services:		
General and administrative	2,561,484	2,421,150
Fundraising	208,384	231,984
Total supporting services	2,769,868	2,653,134
Total operating expenses	28,185,142	26,289,179
Changes in net assets without donor restrictions from operations	(522,979)	1,053,460
Non-operating revenue:		
Net realized/unrealized gains on investments	7,048	338,096
Changes in net assets without donor restrictions	(515,931)	1,391,556
Net Assets With Donor Restrictions:		
Fundraising revenue	-	108,327
Changes in net assets	$ (515,931)	$ 1,499,883

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, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	Total
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
Changes in net assets	(515,931)	-	(515,931)
Balance, June 30, 2020	$ 26,421,199	$ 3,715,479	$ 30,136,678

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, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	$ (515,931)	$ 1,499,883
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,010,137	1,019,325
Amortization of debt issuance costs	6,470	6,470
Bad debts	39,508	8,737
Net unrealized/realized gains on investments	(7,048)	(338,096)
Changes in operating assets and liabilities:		
Accounts receivable	(413,740)	71,052
Prepaid expenses and other	(15,539)	169,841
Accounts payable, accrued expenses and other	304,790	155,428
Net cash provided by operating activities	408,647	2,592,640
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(339,853)	(256,826)
Cash paid for construction in progress	(280,404)	(612,095)
Purchases of investments	(422,726)	(1,518,301)
Increase in certificate of deposit	(3,038)	(2,694)
Net cash used in investing activities	(1,046,021)	(2,389,916)
Cash Flows from Financing Activities:		
Principal payments of note and bonds payable	(417,820)	(405,765)
Proceeds from note payable	3,043,325	-
Net cash provided by (used in) financing activities	2,625,505	(405,765)
Net Change in Cash, Cash Equivalents and Restricted Cash	1,988,131	(203,041)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	5,893,319	6,096,360
End of year	$ 7,881,450	$ 5,893,319
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combined Statements of Financial Position:		
Cash and cash equivalents	$ 7,591,019	$ 5,619,672
Restricted cash	290,431	273,647
Total cash, cash equivalents and restricted cash shown in the combined statements of cash flows	$ 7,881,450	$ 5,893,319
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 142,298	$ 154,352
Supplemental Disclosure of Non-Cash Transaction:		
Construction in progress placed in service	$ 178,484	$ 690,836

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, 2020
(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020								2019
	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	$ 11,224,806	$ 3,506,403	$ 1,111,228	$ 15,842,437	$ 1,311,603	$ 116,990	$ 1,428,593	$ 17,271,030	$ 16,238,490
Employee benefits	1,688,111	741,403	115,573	2,545,087	227,442	3,391	230,833	2,775,920	2,240,459
Payroll taxes	757,804	253,246	78,798	1,089,848	81,606	8,384	89,990	1,179,838	1,284,768
Total personnel costs	13,670,721	4,501,052	1,305,599	19,477,372	1,620,651	128,765	1,749,416	21,226,788	19,763,717
Occupancy	888,824	574,902	104,737	1,568,463	-	4,980	4,980	1,573,443	1,565,905
Contracted services	119,067	303,955	442,235	865,257	-	-	-	865,257	768,749
Depreciation	609,950	149,294	4,745	763,989	76,967	-	76,967	840,956	857,923
Program and office support	409,247	78,084	57,314	544,645	270,962	1,182	272,144	816,789	834,386
Stipends	-	-	760,333	760,333	-	-	-	760,333	765,335
Professional fees	-	-	-	-	433,251	44,423	477,674	477,674	383,411
Transportation	292,104	117,147	13,193	422,444	49,431	-	49,431	471,875	394,354
Program supplies	333,742	64,612	35,091	433,445	6,010	-	6,010	439,455	192,132
Food	352,895	-	257	353,152	-	-	-	353,152	333,946
Interest	101,618	5,630	-	107,248	48,214	-	48,214	155,462	160,822
Staff travel and training	35,143	14,249	26,617	76,009	12,039	570	12,609	88,618	125,722
Miscellaneous	1,518	1,011	880	3,409	43,959	5,071	49,030	52,439	60,274
Bad debts	12,213	14,895	12,400	39,508	-	-	-	39,508	8,737
Fundraising expenses	-	-	-	-	-	23,393	23,393	23,393	73,766
Total operating expenses	$ 16,827,042	$ 5,824,831	$ 2,763,401	$ 25,415,274	$ 2,561,484	$ 208,384	$ 2,769,868	$ 28,185,142	$ 26,289,179

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

	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	$ 9,683,583	$ 3,993,867	$ 1,162,644	$ 14,840,094	$ 1,282,840	$ 115,556	$ 1,398,396	$ 16,238,490
Employee benefits	1,377,662	580,426	97,641	2,055,729	182,149	2,581	184,730	2,240,459
Payroll taxes	796,069	302,373	90,545	1,188,987	86,639	9,142	95,781	1,284,768
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
Occupancy	875,685	587,979	96,941	1,560,605	-	5,300	5,300	1,565,905
Contracted services	103,706	238,679	426,364	768,749	-	-	-	768,749
Depreciation	613,672	159,302	17,133	790,107	67,816	-	67,816	857,923
Program and office support	389,636	119,815	57,194	566,645	265,849	1,892	267,741	834,386
Stipends	-	-	765,335	765,335	-	-	-	765,335
Professional fees	-	-	-	-	363,728	19,683	383,411	383,411
Transportation	225,561	109,330	8,450	343,341	51,013	-	51,013	394,354
Program supplies	76,433	69,020	44,891	190,344	1,788	-	1,788	192,132
Food	333,725	-	221	333,946	-	-	-	333,946
Interest	108,851	6,208	-	115,059	45,763	-	45,763	160,822
Staff travel and training	32,018	22,351	46,010	100,379	24,850	493	25,343	125,722
Miscellaneous	576	6,208	1,204	7,988	48,715	3,571	52,286	60,274
Bad debts	2,015	-	6,722	8,737	-	-	-	8,737
Fundraising expenses	-	-	-	-	-	73,766	73,766	73,766
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

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

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 (see 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).

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, 2020 and 2019. There were no amounts due to or from the LLC as of June 30, 2020 or 2019, or revenues earned or expenses incurred by the Agency for the LLC during fiscal year 2020 or 2019. 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)

Adoption of New Accounting Standards

During fiscal year 2020, the Agency adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As a result of the adoption of Topic 606, disclosures related to revenue recognition have been enhanced. However, the fiscal year 2019 combined financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

The Agency also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Agency adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 combined financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

The Agency also adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* This ASU amends the presentation of restricted cash within the combined statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the combined statements of cash flows. This ASU has been applied retrospectively to each period presented.

The adoption of ASU 2016-18 resulted in the following changes to the Agency's cash flow classification for the year ended June 30, 2019:

Combined Statement of Cash Flows	2019 As Previously Reported	Effect of Adoption	2019 As Adjusted
Operating activities	$ 2,592,640	$ -	$ 2,592,640
Investing activities	(2,391,694)	1,778	(2,389,916)
Financing activities	(405,765)	-	(405,765)
Net change in cash and restricted cash	$ (204,819)	$ 1,778	$ (203,041)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Agency generally measures revenue for qualifying exchange transactions based on the amount of consideration the Agency expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Agency evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Agency's main sources of revenue are from various Commonwealth of Massachusetts agencies and program service fees. Amounts received under contracts with various Commonwealth of Massachusetts agencies have been recorded in accordance with ASU Subtopic 958 (see below). These conditional contributions are recognized as services are provided or as costs are incurred. Within contract revenue and program service fees in the accompanying combined statements of activities is revenue that is billed to Medicaid for services in the Agency's adult foster care and day habilitation programs. This revenue is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing client care. Generally, the Agency bills Medicaid on a monthly basis after the total services for the month are performed. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Agency and the transaction price is determined based on prospectively determined rates per occasion of service set by Medicaid.

Also within contract revenue and program service fees in the accompanying combined statements of activities is management fee revenue from the Agency's affiliates. Services are generally provided on an annual basis incident to separate management agreements with each affiliate. These agreements specify the compensation for each affiliate. Compensation is generally fixed under the relevant agreement as a percentage of the Affiliates' residential income collected. The management service is considered a single performance obligation and the performance obligations under the agreements are satisfied evenly over the year as the affiliate receives the benefits provided the Agency.

Grants and contributions are recorded as services are provided and costs are incurred. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Agency must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied. Prior to the adoption of Topic 958, the Agency had received capital advances (see Note 11). The Agency had assessed the probability of non-compliance related to the capital advances as low or remote, and accordingly, recorded the grant as net assets with donor restrictions until the time restrictions expire.

Other commercial products and services are recorded in the period products are sold or when services are rendered. All other revenue is recognized 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, 2020 and 2019:

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

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

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, 2020 and 2019, 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 March 9, 2021, 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

The Agency 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). For the purpose of the combined statements of cash flows, cash and restricted cash includes cash and cash equivalents and restricted cash (see Note 4).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificate of Deposit

At June 30, 2020 and 2019, the Agency held a thirty-six-month certificate of deposit (CD) which is set to mature in August 2021. The CD bears interest at 0.90% at June 30, 2020 and 2019. The CD is reflected as a long-term asset in 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.

Investments

Investments 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 investment 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investments include an 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*. There were no donated goods or services received for the years ended June 30, 2020 and 2019, that met the criteria for recognition in the accompanying combined financial statements.

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, 2020 and 2019.

3. FUNDING AND CONCENTRATIONS

The Agency receives a significant portion of its total operating support and revenue (approximately 75% and 74% for the years ended June 30, 2020 and 2019, respectively) 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, 2020 and 2019, or on its combined changes in net assets for the years then ended.

Approximately 75% and 74% of the Agency's accounts receivable at June 30, 2020 and 2019, respectively, was due from DDS. Approximately 8% and 21% of the Agency's accounts receivable at June 30, 2020 and 2019, respectively, was due from Medicaid.

Approximately 11% and 12% of the Agency's total operating support and revenue for the years ended June 30, 2020 and 2019, respectively, was 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:

	2020	2019
Reserve for replacements	$ 277,021	$ 259,792
Tenant security deposits	8,978	9,427
Residual receipts	3,515	3,512
Other reserves	917	916
Total	$ 290,431	$ 273,647

5. INVESTMENTS

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

2020	Level 1	Level 2	Level 3	Total
Mutual funds:				
Stocks	$ 5,442,645	$ -	$ -	$ 5,442,645
Foreign stocks	3,082,706	-	-	3,082,706
Fixed income and other	2,496,815	-	-	2,496,815
Multi-strategy	2,281,664	-	-	2,281,664
Total mutual funds	13,303,830	-	-	13,303,830
Money market account	869,766	-	-	869,766
	$ 14,173,596	$ -	$ -	$ 14,173,596

5. INVESTMENTS (Continued)

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
Fixed income and other	1,432,419	-	-	1,432,419
Multi-strategy	2,797,687	-	-	2,797,687
Total mutual funds	11,535,741	-	-	11,535,741
Money market account	504,215	-	-	504,215
Exchange traded funds	1,703,866	-	-	1,703,866
	$ 13,743,822	$ -	$ -	$ 13,743,822

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:

	2020	2019
Land	$ 3,537,211	$ 3,537,211
Buildings and building and land improvements	22,050,035	21,807,328
Vehicles	2,273,050	2,193,728
Furniture and equipment	1,618,444	1,587,110
	29,478,740	29,125,377
Less - accumulated depreciation	14,359,897	13,514,734
	$ 15,118,843	$ 15,610,643

Depreciation expense was $1,010,137 and $1,019,325 for the years ended June 30, 2020 and 2019, respectively, of which $169,181 and $161,402, 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:

	2020	2019
IT Projects	$ 89,752	$ 2,813
Residential Homes	17,697	-
Merritt Building	3,600	-
Dwight Facility	-	6,316
	$ 111,049	$ 9,129

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

The Agency has 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 3.25% and 5.5% at June 30, 2020 and 2019, 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 2020. As of June 30, 2020 and 2019, there was no outstanding balance under this agreement.

The Agency is 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 is in compliance with these financial ratios and covenants at June 30, 2020 and 2019.

9. NOTE AND BONDS PAYABLE

Note and bonds payable consist of the following at June 30:

	2020		2019	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
In April 2020, the Agency applied for and was awarded a forgivable loan of $3,043,325 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a twenty-four-week period (the covered period) as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date, as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2020. Accrued interest on the note payable is $6,694 as of June 30, 2020, and is included in accounts payable, accrued expenses and other in the accompanying combined statement of financial position.	$ 3,043,325	$ -	$ -	$ -

9. NOTE AND BONDS PAYABLE (Continued)

	2020		2019	
	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.	2,929,556	37,015	3,280,896	41,490
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.	1,539,465	16,491	1,605,945	18,486
	7,512,346	53,506	4,886,841	59,976
Less - current portion	431,015	-	417,830	-
	$ 7,081,331	$ 53,506	$ 4,469,011	$ 59,976

Amortization of debt issuance costs was $6,470 for the years ended June 30, 2020 and 2019, and is included in interest in the accompanying combined statements of functional expenses. Amortization of debt issuance costs is expected to remain the same for the remainder of the term of the applicable bonds payable.

As of March 9, 2021, the Agency submitted the application for forgiveness, but had not been legally released from the obligation. The Agency anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term in the accompanying combined statement of financial position as of June 30, 2020.

9. NOTE AND BONDS PAYABLE (Continued)

Aggregate maturities of the note and bonds payable, excluding the PPP loan, over the next five years as follows:

2021	$ 431,015
2022	$ 444,219
2023	$ 457,829
2024	$ 471,627
2025	$ 486,303

The bonds payable agreements contain various covenants with which the Agency must comply. The Agency was in compliance with these covenants at June 30, 2020 and 2019.

Total interest expense on the note and bonds was $148,992 and $154,352 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019:

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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019. 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, 2020 and 2019, 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, 2020 and 2019. 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).

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 $122,246 and $117,721 for the years ended June 30, 2020 and 2019, 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 accompanying combined financial statements.

11. COMMITMENTS (Continued)

Leases (Continued)

Remaining future minimum lease payments are as follows for the years ending June 30:

2021	$ 90,725
2022	93,000
2023	93,000
2024	93,625
2025	94,500
Thereafter	55,125
	$ 519,975

Conditional Grants

During fiscal year 2020, the Agency was awarded multiple conditional commitments from various Commonwealth of Massachusetts agencies for fiscal year 2021, which contain funder-imposed conditions that represent a barrier that must be overcome as well as a release from obligations. The Agency recognizes related revenue from these government contracts when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for these contract revenues include the requirement for the Agency to incur qualifying expenses. These commitments are not included in the accompanying combined financial statements. Total amounts committed but not recognized as of June 30, 2020, summarized by agency, are as follows:

DDS	$ 11,198,610
Massachusetts Commission for the Blind	$ 499,761
Massachusetts Rehabilitation Commission	$ 132,937

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 $50,308 and $47,886 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the Agency recorded a liability of $200,000 and $150,000, 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 in accordance with the terms of the Deferred Compensation Plan.

13. CONCENTRATIONS

The Agency maintains its cash balances in six Massachusetts banks. The Federal Deposit Insurance Corporation 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 is a Board member of a bank in which the Agency maintains deposits.

As of June 30, 2020 and 2019, the Affiliates owed $1,163,481 and $1,184,329, respectively, to the Center for operating costs paid on the Affiliates' behalf, of which $24,121 and $44,969, respectively, is current and $1,139,360 is long-term. These balances have been eliminated in the accompanying combined financial statements.

For the years ended June 30, 2020 and 2019, the Center earned $17,040 of rental income from one of the Affiliates and $31,135 and $32,526, respectively, of management fees from the Affiliates. These balances have been eliminated in the accompanying combined financial statements.

15. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. Temporary closures of certain businesses were also ordered in certain jurisdictions. Consequently, the COVID-19 outbreak severely restricted the level of economic activity. The adverse impact of COVID-19 on the Agency’s businesses, operating results, cash flows, and financial condition primarily will be driven by the severity and duration of the pandemic; the timing, scope and impact of stimulus legislation, and other federal, state and local governmental responses to the pandemic. As a result, the adverse impact COVID-19 will have on the Agency’s businesses, operating results, cash flows, and financial condition is uncertain, but the adverse impact could be material.

16. LIQUIDITY

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

	2020	2019
Cash and cash equivalents	$ 7,591,019	$ 5,619,672
Accounts receivable, net of allowance	3,134,695	2,760,463
	10,725,714	8,380,135
Less - purpose restricted net assets (see Note 2)	(108,327)	(108,327)
Total financial assets	$ 10,617,387	$ 8,271,808

16. LIQUIDITY (Continued)

The Agency has a policy to structure its financial assets to be available and liquid as obligations become due. As of June 30, 2020, the Agency has financial assets equal to approximately five months of operating expenses. In addition, the Agency has approximately $14,100,000 in investments that are being held for long-term growth and sustainability (see Note 5). At any given time, these investments could be liquidated to meet ongoing obligations with prior approval of the Board of Directors. These assets approximate an additional six months of operating expenses.

17. RECLASSIFICATIONS

Certain amounts in the fiscal year 2019 combined financial statements have been reclassified to conform with the fiscal year 2020 combined presentation.

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

Combining Statement of Financial Position
June 30, 2020

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	$ 7,562,638	$ 11,729	$ 16	$ 1,078	$ 6,293	$ 8,202	$ 1,063	$ 7,591,019	$ -	$ 7,591,019
Restricted cash	-	24,350	51,802	26,233	35,260	121,827	30,959	290,431	-	290,431
Accounts receivable, net of allowance for doubtful accounts of approximately $29,000	3,122,285	-	6,390	6,020	-	-	-	3,134,695	-	3,134,695
Current portion of due from affiliates	24,121	-	-	-	-	-	-	24,121	(24,121)	-
Prepaid expenses and other	244,745	9,096	-	-	-	-	88	253,929	-	253,929
Total current assets	10,953,789	45,175	58,208	33,331	41,553	130,029	32,110	11,294,195	(24,121)	11,270,074
Certificate of Deposit	126,876	-	-	-	-	-	-	126,876	-	126,876
Investments	14,173,596	-	-	-	-	-	-	14,173,596	-	14,173,596
Due from Affiliates, net of current portion	1,139,360	-	-	-	-	-	-	1,139,360	(1,139,360)	-
Construction in Progress	107,866	-	-	-	-	3,183	-	111,049	-	111,049
Property and Equipment, net	12,574,513	614,676	251,024	324,600	334,920	385,547	771,666	15,256,946	(138,103)	15,118,843
Total assets	$ 39,076,000	$ 659,851	$ 309,232	$ 357,931	$ 376,473	$ 518,759	$ 803,776	$ 42,102,022	$ (1,301,584)	$ 40,800,438
Liabilities and Net Assets										
Current Liabilities:										
Current portion of note and bonds payable	$ 431,015	$ -	$ -	$ -	$ -	$ -	$ -	$ 431,015	$ -	$ 431,015
Accounts payable, accrued expenses and other	2,256,666	12,413	11,121	17,202	11,028	5,978	4,757	2,319,165	-	2,319,165
Current portion of due to affiliates	-	6,432	6,461	1,110	3,855	3,168	3,095	24,121	(24,121)	-
Total current liabilities	2,687,681	18,845	17,582	18,312	14,883	9,146	7,852	2,774,301	(24,121)	2,750,180
Note and Bonds Payable and Unamortized Debt Issuance Costs, net of current portion	7,027,825	-	-	-	-	-	-	7,027,825	-	7,027,825
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	9,715,506	389,955	239,241	176,084	99,548	114,949	206,203	10,941,486	(1,163,481)	9,778,005
Conditional Debt	-	-	225,745	76,093	88,870	221,703	273,344	885,755	-	885,755
Total liabilities	9,715,506	389,955	464,986	252,177	188,418	336,652	479,547	11,827,241	(1,163,481)	10,663,760
Net Assets:										
Without donor restrictions:										
Operating	13,940,303	(369,130)	(232,835)	(168,986)	(93,255)	(106,747)	(205,052)	12,764,298	(86,680)	12,677,618
Board designated	7,000,000	-	-	-	-	-	-	7,000,000	-	7,000,000
Property and equipment	7,986,864	(127,174)	(459,207)	(98,260)	(132,490)	(265,640)	(109,089)	6,795,004	(51,423)	6,743,581
Total without donor restrictions	28,927,167	(496,304)	(692,042)	(267,246)	(225,745)	(372,387)	(314,141)	26,559,302	(138,103)	26,421,199
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	29,360,494	269,896	(155,754)	105,754	188,055	182,107	324,229	30,274,781	(138,103)	30,136,678
Total liabilities and net assets	$ 39,076,000	$ 659,851	$ 309,232	$ 357,931	$ 376,473	$ 518,759	$ 803,776	$ 42,102,022	$ (1,301,584)	$ 40,800,438

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, net of current portion	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 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 affiliates	-	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
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 Activities
For the Year Ended June 30, 2020

	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	$ 26,425,229	$ 89,160	$ 49,160	$ 41,779	$ 47,275	$ 63,455	$ 42,719	$ 26,758,777	$ (17,040)	$ 26,741,737
Investment income, net of fees	460,454	5	55	21	32	123	27	460,717	-	460,717
Fundraising revenue	376,327	-	-	-	-	-	-	376,327	-	376,327
Grants	42,538	-	-	-	-	-	-	42,538	-	42,538
Commercial products and services	40,844	-	-	-	-	-	-	40,844	-	40,844
Other	31,135	-	-	-	-	-	-	31,135	(31,135)	-
Total operating support and revenue	27,376,527	89,165	49,215	41,800	47,307	63,578	42,746	27,710,338	(48,175)	27,662,163
Operating expenses:										
Program services:										
Residential	16,460,417	103,822	78,020	46,075	52,832	71,449	62,602	16,875,217	(48,175)	16,827,042
Day activities	5,824,831	-	-	-	-	-	-	5,824,831	-	5,824,831
Family support	2,763,401	-	-	-	-	-	-	2,763,401	-	2,763,401
Total program services	25,048,649	103,822	78,020	46,075	52,832	71,449	62,602	25,463,449	(48,175)	25,415,274
Supporting services:										
General and administrative	2,561,484	-	-	-	-	-	-	2,561,484	-	2,561,484
Fundraising	208,384	-	-	-	-	-	-	208,384	-	208,384
Total supporting services	2,769,868	-	-	-	-	-	-	2,769,868	-	2,769,868
Total operating expenses	27,818,517	103,822	78,020	46,075	52,832	71,449	62,602	28,233,317	(48,175)	28,185,142
Changes in net assets without donor restrictions from operations	(441,990)	(14,657)	(28,805)	(4,275)	(5,525)	(7,871)	(19,856)	(522,979)	-	(522,979)
Non-operating revenue:										
Net realized/unrealized gains on investments	7,048	-	-	-	-	-	-	7,048	-	7,048
Changes in net assets without donor restrictions	$ (434,942)	$ (14,657)	$ (28,805)	$ (4,275)	$ (5,525)	$ (7,871)	$ (19,856)	$ (515,931)	$ -	$ (515,931)

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
Grants	29,353	-	-	-	-	-	-	29,353	-	29,353
Commercial products and services	50,341	-	-	-	-	-	-	50,341	-	50,341
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 restriction	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 Restriction:										
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

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, 2020

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 the City of Newton		N/A	93,197
Total Supportive Housing for Persons with Disabilities			3,137,152
Home Investment Partnerships Program:	14.239		
Pass-through the Town of Needham		N/A	280,000
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation (Section 8 Project-Based Cluster):	14.856		
Direct		N/A	189,587
Pass-through the Natick Housing Authority		N/A	9,223
Pass-through Needham Housing Authority		N/A	46,951
Total Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation (Section 8 Project-Based Cluster)			245,761
U.S. Department of Education			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		
Pass-through Commonwealth of Massachusetts, Massachusetts Rehabilitation Commission		SCMRCMCBPREETSFY2029	72,900
Total Expenditures of Federal Awards			$ 3,735,813

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, 2020.

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, 2020, 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 March 9, 2021.

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) as a basis for designing 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 combined financial statements. 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.

AAFCPAs, Inc.

Boston, Massachusetts
March 9, 2021

AAFCPAs
great minds | great hearts

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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, 2020. 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, 2020.

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 the previous page. 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.

AAFCPAs, Inc.

Boston, Massachusetts
March 9, 2021

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 U.S. 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