THE CARROLL CENTER FOR THE BLIND, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

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For the Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Carroll Center for the Blind, Inc.

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of The Carroll Center for the Blind, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities without donor restrictions, activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of The Carroll Center for the Blind, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of The Carroll Center for the Blind's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Carroll Center for the Blind Inc.'s internal control over financial reporting and compliance.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
November 14, 2019

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 778,656	$ 757,150
Accounts receivable	780,858	860,731
Contributions receivable	356,352	337,066
Other receivables	826	2,438
Merchandise inventory	108,443	99,340
Prepaid expenses	161,738	126,433
Total current assets	2,186,874	2,183,158
Investments	2,269,575	2,015,074
Property, Plant, and Equipment	3,557,537	3,577,940
Contributions Receivable	-	45,000
Single Life Premium Annuity	155,009	-
Total Assets	$ 8,168,995	$ 7,821,173

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 81,789	$ 156,541
Accrued payroll	312,801	300,574
Accrued expenses	25,689	46,296
Deferred revenue	39,688	-
Current portion of long-term debt	555	-
Current portion of annuity obligation	13,500	13,500
Total current liabilities	474,022	516,911
Long-Term Debt	114	-
Annuity Obligation	127,574	141,106
Total liabilities	601,710	658,017
Net Assets:		
Without donor restrictions:		
Available for operations	1,001,458	1,143,887
Net investment in plant	3,556,868	3,577,940
Designated by the Board for endowment	1,587,626	1,428,807
	6,145,952	6,150,634
With donor restrictions:		
Perpetual in nature	681,949	586,267
Purpose restricted	383,032	44,189
Time restricted	356,352	382,066
	1,421,333	1,012,521
Total net assets	7,567,285	7,163,156
Total Liabilities and Net Assets	$ 8,168,995	$ 7,821,173

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF ACTIVITIES WITHOUT DONOR RESTRICTIONS
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES:		
Revenues:		
Operating revenues:		
Program services	$ 4,746,534	$ 4,722,851
Contributions	863,407	1,050,459
Retail store gross margin	96,948	85,004
Investment income	34,798	27,318
Other income	18,039	17,825
Total operating revenues	5,759,725	5,903,457
Net assets released from restrictions:		
Satisfaction of program restrictions	278,812	294,460
Satisfaction of property acquisition restrictions	25,179	128,164
Satisfaction of time restrictions	114,752	-
Total net assets released from restrictions	418,743	422,624
Total revenues, gains, and other support	6,178,468	6,326,081
Expenses:		
Program services:		
Education services	1,951,452	1,829,048
Rehabilitation services	1,813,464	1,920,695
Community services	613,103	511,374
Computer training	303,877	315,752
Other	430,011	448,772
Support services:		
General and administrative	1,229,434	1,173,201
Fundraising	525,763	510,359
Total expenses	6,867,103	6,709,200
Change in Net Assets Without Donor Restrictions from Operating Activities	(688,636)	(383,119)
NONOPERATING ACTIVITIES:		
Bequests	674,036	175,000
Net realized and unrealized gain/(loss) on investments	9,918	(13,504)
Net gain on sale of property, plant, and equipment	-	425
Change in Net Assets Without Donor Restrictions from Nonoperating Activities	683,953	161,921
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (4,682)	$ (221,197)

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:						
Program services	$ 4,746,534	$ -	$ 4,746,534	$ 4,722,851	$ -	$ 4,722,851
Contributions	1,537,443	827,554	2,364,997	1,225,459	548,562	1,774,021
Retail store gross margin	96,948	-	96,948	85,004	-	85,004
Investment income	34,798	-	34,798	27,318	-	27,318
Net realized and unrealized gain/(loss) on			-			-
investments	9,918	-	9,918	(13,504)	-	(13,504)
Other income	18,039	-	18,039	17,825	-	17,825
Net gain on sale of property, plant, and equipment	-	-	-	425	-	425
Net assets released from restrictions	418,743	(418,743)	-	422,624	(422,624)	-
Total revenues, gains, and other support	6,862,421	408,812	7,271,233	6,488,003	125,937	6,613,940
EXPENSES:						
Program services	5,111,907	-	5,111,907	5,025,640	-	5,025,640
General and administrative	1,229,434	-	1,229,434	1,173,201	-	1,173,201
Fundraising	525,763	-	525,763	510,359	-	510,359
Total expenses	6,867,103	-	6,867,103	6,709,200	-	6,709,200
CHANGE IN NET ASSETS	(4,682)	408,812	404,129	(221,197)	125,937	(95,260)
NET ASSETS - Beginning of Year	6,150,634	1,012,521	7,163,156	6,371,832	886,584	7,258,416
NET ASSETS - End of Year	$ 6,145,952	$ 1,421,333	$ 7,567,285	$ 6,150,634	$ 1,012,521	$ 7,163,156

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 404,129	$ (95,260)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	183,039	157,166
Net realized and unrealized (gain)/loss on investments	(9,918)	13,504
Noncash gifts received	(253,983)	(110,473)
Proceeds from sales of contributed marketable securities	259,189	-
(Increase)/decrease in operational assets:		
Accounts receivable	79,874	613
Contributions receivable	25,714	(362,066)
Other receivables	1,612	1,981
Merchandise inventory	(9,103)	(18,793)
Prepaid expenses	(35,305)	9,799
Single premium life annuity	6,782	-
Increase/(decrease) in operational liabilities:		
Accounts payable	(74,751)	89,531
Accrued payroll	12,227	38,921
Accrued expenses	(20,607)	12,616
Deferred revenue	39,688	-
Annuity obligation	(13,532)	154,606
Total adjustments	190,924	(12,594)
Net cash provided by/(used in) operating activities	595,053	(107,854)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(161,507)	(138,770)
Purchase of single premium life annuity	(161,791)	-
Proceeds from maturities and redemptions of investments	394,150	20,150
Purchases of investments	(548,257)	(198,046)
Net cash used in investing activities	(477,405)	(316,666)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(460)	-
Contributions restricted for long-term investment	(95,682)	-
Net cash used in financing activities	(96,142)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,506	(424,520)
CASH AND CASH EQUIVALENTS - Beginning of Period	757,150	1,181,670
CASH AND CASH EQUIVALENTS - End of Period	$ 778,656	$ 757,150
SUPPLEMENTAL DISCLOSURES FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Gifts of marketable securities	$ 253,983	$ -
Gifts of property, plant, and equipment	$ -	$ 110,473
Financed acquisition of property, plant, and equipment	$ 1,129	$ -

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services								Supporting Services				
	Education Services	**Rehabilitation Services**	**Community Services**	**Computer Training**	**Accessibility Services**	**Retail Store**	**Low Vision**	**Total**	**Plant Operations**	**General and Admin**	**Fundraising**	**Total**	**Grand Total**
Salaries	$ 1,136,294	$ 1,050,129	$ 457,758	$ 192,921	$ 82,772	$ 93,058	$ 72,619	$ 3,085,551	$ 117,101	$ 772,336	$ 241,825	$ 1,131,262	$ 4,216,813
Employee benefits	132,513	135,386	35,742	19,677	13,501	5,007	23,422	365,249	49,902	100,950	34,124	184,977	550,226
Payroll taxes	83,776	83,563	34,106	14,251	6,094	7,065	4,876	233,732	7,601	49,982	36,240	93,823	327,555
	1,352,583	1,269,078	527,606	226,850	102,367	105,130	100,918	3,684,532	174,604	923,268	312,190	1,410,062	5,094,593
Accounting and audit	-	-	-	-	-	-	-	-	-	25,200	-	25,200	25,200
Bad debt expense	297	-	-	-	-	-	-	297	-	-	-	-	297
Bank charges	-	-	-	84	-	6,484	-	6,567	-	361	5,471	5,833	12,400
Conferences	6,348	2,305	786	-	-	638	210	10,288	-	3,751	2,322	6,072	16,360
Consultants	10,775	21,113	-	-	75,385	-	-	107,273	-	-	15,553	15,553	122,826
Depreciation	3,560	5,313	673	1,133	257	333	-	11,270	152,439	16,948	2,381	171,769	183,039
Dining service	6,180	175,975	60	20,632	-	93	-	202,941	-	4,707	2,312	7,019	209,960
Dues and subscriptions	685	55	-	176	-	125	-	1,041	-	6,124	239	6,363	7,404
Equipment rental	1,905	4,688	-	65	-	-	-	6,658	-	2,022	6,362	8,384	15,042
Events	-	-	-	-	-	-	-	-	-	17	7,552	7,570	7,570
Insurance	6,638	6,276	1,446	924	548	698	143	16,673	19,872	19,405	-	39,277	55,950
Interest expense	-	-	-	-	-	-	-	-	27	-	-	27	27
Legal	4,678	-	-	-	-	-	-	4,678	-	-	12,694	12,694	17,372
Marketing	51	-	-	-	-	359	-	410	-	42,900	392	43,292	43,703
Occupancy	4,425	16,284	-	-	-	-	-	20,709	-	-	-	-	20,709
Postage	1,412	890	105	113	-	302	8	2,831	1	1,280	21,933	23,214	26,045
Printing	351	1,451	-	327	-	1,130	195	3,455	32	1,308	42,277	43,617	47,072
Professional fees	9,492	5,493	-	-	-	106	-	15,091	-	2,810	11,687	14,497	29,588
Publications	403,756	162	-	-	-	-	-	403,918	-	950	-	950	404,868
Recruitment	135	38	-	7	-	-	-	180	45	8,544	-	8,589	8,769
Repairs and maintenance	952	1,870	-	1,026	-	-	-	3,848	93,114	546	750	94,410	98,257
Scholarships	1,600	-	1,710	-	-	-	-	3,310	-	-	-	-	3,310
Supplies	8,641	15,156	14,897	2,741	261	2,479	650	44,826	1,176	18,901	19,537	39,613	84,439
Technical support	10,639	2,010	1,727	387	-	1,818	287	16,868	-	34,477	28,667	63,144	80,012
Travel	55,469	16,216	35,196	357	59	251	870	108,417	252	2,936	641	3,829	112,246
Utilities	17,687	5,100	3,206	2,266	10	156	-	28,426	103,292	8,158	169	111,620	140,045
	1,908,259	1,549,474	587,413	257,089	178,888	120,103	103,282	4,704,507	544,855	1,124,613	493,129	2,162,596	6,867,103
Plant operations allocated	43,193	263,989	25,690	46,788	3,045	12,347	12,347	407,400	(544,855)	104,820	32,634	(407,400)	-
	$ 1,951,452	$ 1,813,464	$ 613,103	$ 303,877	$ 181,933	$ 132,450	$ 115,629	$ 5,111,907	$ -	$ 1,229,434	$ 525,763	$ 1,755,197	$ 6,867,103
	28.4%	26.4%	8.9%	4.4%	2.6%	1.9%	1.7%	74.4%	0.0%	17.9%	7.7%	25.6%	100.0%

Note: Columns and rows may not add properly due to rounding.

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services								Supporting Services				
	Education Services	Rehabilitation Services	Community Services	Computer Training	Accessibility Services	Retail Store	Low Vision	Total	Plant Operations	General and Admin	Fundraising	Total	Grand Total
Salaries	$ 1,024,291	$ 1,125,853	$ 368,779	$ 204,270	$ 88,233	$ 104,125	$ 76,558	$ 2,992,109	$ 125,188	$ 745,968	$ 254,936	$ 1,126,092	$ 4,118,201
Employee benefits	127,843	137,411	38,233	19,095	13,450	5,558	20,710	362,300	32,218	90,338	17,639	140,195	502,495
Payroll taxes	87,235	91,663	27,357	15,179	6,522	7,947	5,182	241,085	8,771	52,942	26,139	87,853	328,937
	1,239,369	1,354,927	434,369	238,543	108,206	117,630	102,449	3,595,494	166,177	889,248	298,713	1,354,139	4,949,633
Accounting and audit	-	-	-	-	-	-	-	-	-	25,200	-	25,200	25,200
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank charges	-	60	70	4	-	5,458	10	5,602	-	905	4,840	5,744	11,347
Conferences	2,603	7,770	70	-	-	630	-	11,073	-	2,071	909	2,980	14,053
Consultants	8,193	28,988	5,857	5,350	74,115	-	-	122,504	-	100	22,630	22,730	145,234
Depreciation	3,381	5,332	337	1,133	128	167	-	10,478	138,854	6,697	1,138	146,688	157,166
Dining service	6,272	183,212	21	16,484	160	-	-	206,150	23	5,940	2,108	8,071	214,221
Dues and subscriptions	412	55	32	445	-	-	-	944	-	10,005	1,053	11,058	12,002
Equipment rental	-	6,499	-	19	-	-	-	6,519	-	905	6,148	7,053	13,572
Events	-	-	-	-	-	-	-	-	-	458	4,826	5,284	5,284
Insurance	6,962	6,299	1,382	976	600	771	119	17,108	19,611	17,924	-	37,535	54,643
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal	175	-	-	-	-	-	-	175	-		8,613	8,613	8,788
Marketing	1,750	65	-	120	-	-	-	1,935	-	49,721	673	50,394	52,329
Occupancy	6,614	11,741	-	-	-	-	-	18,355	-	-	-	-	18,355
Postage	3,900	-	-	-	-	-	-	3,900	-	-	-	-	3,900
Printing	1,132	512	25	75	-	951	-	2,695	74	1,357	22,107	23,538	26,233
Professional fees	861	1,560	-	638	124	1,539	160	4,882	37	2,943	33,238	36,218	41,100
Publications	-	-	-	-	-	-	-	-	-	2,710	35,243	37,953	37,953
Recruitment	422,328	110	-	176	-	-	-	422,615	-	-	-	-	422,615
Repairs and maintenance	98	-	-	-	-	-	-	98	-	4,279	81	4,360	4,458
Scholarships	3,577	4,818	224	177	-	28	28	8,852	93,696	1,192	848	95,736	104,588
Supplies	15,032	20,263	15,310	4,230	150	3,600	307	58,891	1,134	14,848	12,579	28,561	87,452
Technical support	4,484	2,025	1,740	516	-	2,630	290	11,684		18,623	23,782	42,405	54,089
Travel	51,146	13,393	28,002	678	-	476	451	94,145	160	1,728	1,065	2,953	97,098
Utilities	15,593	40,116	3,361	7,183	1,524	2,365	1,425	71,568	45,400	27,518	3,402	76,320	147,888
	1,793,883	1,687,745	490,800	276,747	185,007	136,244	105,239	4,675,666	465,167	1,084,372	483,996	2,033,535	6,709,200
Plant operations allocated	35,164	232,950	20,573	39,005	2,539	9,871	9,871	349,974	(465,167)	88,830	26,362	(349,974)	-
	$ 1,829,048	$ 1,920,695	$ 511,374	$ 315,752	$ 187,546	$ 146,115	$ 115,111	$ 5,025,640	$ -	$ 1,173,201	$ 510,359	$ 1,683,560	$ 6,709,200
	27.3%	28.6%	7.6%	4.7%	2.8%	2.2%	1.7%	74.9%	0.0%	17.5%	7.6%	25.1%	100.0%

Note: Columns and rows may not add properly due to rounding.

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

Note 1. Nature of the Organization

The Carroll Center for the Blind (the "Center") is a Massachusetts not-for-profit corporation chartered in 1947. It was founded in 1936 as the Catholic Guild for All the Blind. The Center is the first civilian-operated organization in the United States designed specifically to meet the needs of blind adult citizens where individuals can learn to be independent.

The Center has evolved as a world leader in providing meaningful services to blind persons of all ages. This began with its innovative Residential Rehabilitation Program for newly blinded adults in 1954, and has continued with programs of Low Vision Training, Community Mobility Training, Educational Services in public schools, Adaptive Technology Training, and Outdoor Recreation Programs. The Center also manages the Massachusetts Accessible Instructional Materials Library ("AIM"), which provides Braille and large print books to blind children in Massachusetts-based public and private schools, and operates a retail store.

Funding sources for payment of fees for services to individual clients are derived from government units and other third parties. The Center supplements the cost of programs through fundraising and gifts from friends, foundations, and businesses. Individuals serviced are principally from the Commonwealth of Massachusetts, with a significant number of residential rehabilitation clients originating from throughout the U.S.

Note 2. Significant Accounting Policies

a) Basis of Presentation

The Center's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- <u>Without Donor Restrictions</u> – Net assets available for use in general operations and not subject to donor-imposed restrictions. Assets restricted solely through the actions of the Board of Directors (the "Board") are reported as net assets without donor restrictions, board designated.
- <u>With Donor Restrictions</u> – Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Note 2. Significant Accounting Policies (continued)

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of time restriction on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as releases of the restrictions and therefore reclassifications between the applicable classes of net assets.

b) Cash and Cash Equivalents

The Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Money market funds and certificates of deposit which are maintained for long-term investment are not considered to be cash equivalents.

The Center maintains cash balances at financial institutions which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash and cash equivalents.

c) Accounts Receivable

Receivables are carried at original invoice amount less an allowance made for doubtful accounts based on a monthly review of all outstanding amounts. Many client services are provided under contractual terms with state and local governments and agencies. Such contracts may be subject to limits in allowances and/or audits which could produce adjustments to revenues.

A receivable is considered past due if any portion of its balance is outstanding for more than 90 days. It is the Center’s policy to write off delinquent accounts when management determines the receivable will not be collected. Interest is not charged on past due receivables and they are not collateralized.

d) Inventories

Inventories include items held for resale at the Center’s low vision retail store and are carried at the lower of cost (first-in, first-out method) or net realizable value.

Note 2. Significant Accounting Policies (continued)

e) Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. New pledges and contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. This determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Management has determined that no allowance is required.

Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions.

The Center reports expirations of donor restrictions when the donated or acquired long-lived asset is placed in service. Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. A barrier can include meeting a matching provision or incurring specified allowable expenses in accordance with a framework of allowable costs.

Contributions of works of art, historical treasures, and similar assets held as part of a collection for exhibition purposes rather than for sale or financial gain are not recognized or capitalized.

f) Investments

Investments consist primarily of money market securities and mutual funds and are stated at fair value. Interest and dividend income yielded on investments and the net realized and unrealized gains or losses on investments are recorded in the statements of activities and changes in net assets. Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor-imposed restrictions and those without donor-imposed restrictions. Investment returns allocated to net assets with donor-imposed restrictions remain in such category until appropriated by the Board unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Note 2. Significant Accounting Policies (continued)

g) Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The Center establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

- Level 1 – quoted prices in active markets accessible at the measurement date for assets of liabilities.
- Level 2 – observable prices based on inputs not quoted in active markets but corroborated by market data.
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. All of the Center's fair value measures are Level 1 inputs.

h) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, or if received by donation, at estimated fair value at the time such items are received. Expenditures for major renewals and improvements exceeding $500 are capitalized, while ordinary expenditures for repairs and maintenance are expensed as incurred.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Description	Estimated Useful Life
Buildings and Improvements	10 – 45 Years
Land Improvements	15 Years
Equipment and Fixtures	3 – 20 Years

i) Impairment of Long-Lived Assets

Long-lived assets, such as buildings, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated discounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds it estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. No impairments were recognized for the years ended June 30, 2019 and 2018.

Note 2. Significant Accounting Policies (continued)

j) Split-Interest Agreements

The Center's split-interest agreements with donors consist of charitable gift annuities, charitable remainder trusts, and beneficial interest in perpetual trusts. Assets related to charitable gift annuities are recorded at their fair values when received and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donor or other designee. At the time of the gift, the Center recognizes contribution revenue in an amount equal to the difference between these two amounts. Discount rates and actuarial assumptions used to determine the liability are those contained in mortality tables published by the Internal Revenue Service and are typically based on factors such as applicable federal interest rates and donor life expectancies. The liabilities are adjusted annually for changes in the estimates of future benefits, and the changes in the value of these agreements are included in the statements of activities.

k) Functional Allocation of Expenses

The Center allocates expenses by functional responsibility. In not-for-profit accounting, these functions are designated Programming, Management, and Fundraising. The Center's programming expenses are segmented between its individual programs and the operation of its retail store.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses therefore require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include plant operations and depreciation, which are allocated on a square footage basis, as well as compensation, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

l) Advertising

The Center expenses advertising as incurred. The Center includes advertising expenses on the statements of functional expenses with marketing expenses.

Note 2. Significant Accounting Policies (continued)

m) Income Taxes

The Center is recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not a private foundation. The Center's Federal tax returns are open to examination by Federal authorities for the fiscal years ended June 30, 2018, 2017, and 2016.

The Center's policies for income taxes help determine the proper recognition, classification, and disclosure of taxes, interest, and penalties. Management has evaluated significant tax positions against criteria established by professional standards and believes there are no tax positions that require accounting recognition in the financial statements, nor are there any material uncertainties regarding income taxes.

n) Measure of Operations

The Center separates it activities without donor restrictions between operating and non-operating segments. Operating activities represent those revenues and expenses incurred in the day-to-day operation of the Center. They also include income yielded from the Center's investments, which are generally used to fund program expenses. Non-operating activities represent those transactions having no effect on the Center's day-to-day performance, which include, but are not limited to, contributions received from decedents' estates under testamentary bequests; investment gains or losses; and gains or losses on the dispositions of property, plant, and equipment.

o) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, fair value of investments, carrying amount of property and equipment, and allowances for receivables balances. Although these estimates are based on management's best knowledge of current events and actions the Center may undertake in the future, actual results could differ from those estimates.

p) Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported results of activities or changes in net assets.

Note 2. Significant Accounting Policies (continued)

q) Management's Review of Subsequent Events

The Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing financial statements. Subsequent events have been evaluated through November 14, 2019, which is the date the financial statements were available to be issued.

r) Recent Accounting Pronouncements

In August 2016 the Financial Accounting Standards Board ("FASB") issued an updated standard, Presentation of Financial Statements of Not-for-Profit Entities, which is aimed to improve not-for-profit financial reporting and provide more useful information to donors, grantors, creditors, and other financial statement users. The update addresses the complexity in net asset classification; clarity of information regarding liquidity and availability of cash; transparency in reporting of financial reporting measures; consistency in reporting of expenses by function and nature; and utility of the statement of cash flows. The Center has adjusted the presentation of these statements accordingly and has applied the standard retroactively to all periods presented.

In February 2016 the FASB issued an updated standard on leases, that requires a lessee to record all leases with a term of more than 12 months an asset representing its right to use the underlying asset and a liability to make lease payments. The update is effective for annual financial statements issued for fiscal years beginning after December 15, 2020.

Note 3. Contributions Receivable

Unconditional promises to give (pledges) are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Generally, receivables are discounted at an interest rate equivalent to the Center's prevailing cost of short-term borrowing; however, no discount was recorded during 2019 and 2018. All contributions receivable are expected to be collected within the next 12 months.

Note 4. Accounts Receivable

The following summarizes accounts receivable at June 30, 2019 and 2018:

	2019	2018
0 - 30 days	$ 386,486	$ 430,775
31 - 60 days	344,460	364,973
61 - 90 days	38,536	59,111
91 - 120 days	10,101	9,425
Over 120 days	12,065	7,237
	791,647	871,521
Allowance for doubtful accounts	(10,789)	(10,789)
	$ 780,858	$ 860,731

The Center receives a significant portion of funding for its programs as cost reimbursement contracts with the United States Department of Education, Office of Special Education and Rehabilitation Services (the "DOE"). These awards are passed through to the Commonwealth of Massachusetts Department of Education and Executive Office of Health and Human Services.

Credit risk for the Center for the years ended June 30, 2019 and 2018, was concentrated in the following clients who each comprised more than 10% of the Center's program services revenues:

	2019	2018
Massachusetts Commission for the Blind	38%	31%
Massachusetts public and private school systems	24%	32%
Massachusetts Department of Elementary and Secondary Education	15%	15%

At June 30, 2019 and 2018, the significant clients accounted for the following amounts of the Center's accounts receivable.

	2019		2018	
Massachusetts Commission for the Blind	$ 271,771	34%	$ 287,188	33%
Massachusetts public and private school systems	$ 218,155	28%	$ 392,106	45%
Massachusetts Department of Elementary and Secondary Education	$ 20,705	3%	$ 96,591	11%

Note 5. Investments

The Center's investment policy is to enhance income wherein:

a) estimated amounts required for operating purposes are invested with varied maturity dates; and
b) all other investable assets are pooled in institutional mutual fund portfolios allocated between money market funds, fixed income funds, and equity funds.

The Board considers its assets held for investment to function as endowment funds. The Center's investments are summarized as follows at June 30, 2019 and 2018:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Certificate of deposit	$ -	$ -	$ 50,000	$ 50,117
Money market funds	1,666,272	1,666,272	1,496,771	1,496,771
Corporate bonds	50,001	51,211	15,000	14,947
Fixed income mutual funds	571,502	552,092	476,232	453,239
	$ 2,287,775	$ 2,269,575	$ 2,038,003	$ 2,015,074

a) Interpretation of Relevant Law

The Center is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts. Under UPMIFA, the Board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the Center to appropriate for expenditure as much of an endowment fund as the Board determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are used to guide the Board in determining whether to appropriate from or accumulate to a fund:

1) the duration and preservation of the fund
2) the purposes of the Center and the endowment fund
3) general economic conditions
4) the possible effect of inflation or deflation
5) the expected total return from income and the appreciation of investments
6) other resources of the Center
7) the investment policy of the Center

Note 5. Investments (continued)

The Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary. As a result of this interpretation, the Center classifies as donor-imposed restricted net assets that are perpetual in nature:

a) the original value of gifts donated to the permanent endowment
b) the original value of subsequent gifts donated to the permanent endowment
c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund

The remaining portion of the donor-imposed restricted endowment fund that is not classified as perpetual in nature is classified as donor-imposed purpose restricted net assets, until appropriated for spending by the Board.

b) Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To satisfy its long-term objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ongoing short-term needs of the Center will be achieved by investing in money market funds and certificates of deposit.

c) Spending Policy and How the Investment Objectives Relate to Spending Policy

It is anticipated that cash needs to support the ongoing operations of the Center will be supplied by a short-term operating account to be invested in money markets and maintained separately from the long-term portfolio. This policy may be altered depending upon the growth of the longer-term assets and the needs of the Center.

Rolling three and five-year periods are used to determine whether the portfolio’s objectives are being met, and investment returns are reviewed quarterly. The current spending policy for the pooled assets is to allow them to grow whenever possible, and should the need for funds arise for the Center, to utilize the elements of the invested assets that are without donor restrictions.

Note 5. Investments (continued)

d) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies result from unfavorable market fluctuation that occurred after the investment of new contributions with donor restrictions that are perpetual in nature. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions. Deficiencies of this nature that are reported as reductions in net assets with donor restrictions totaled $23,863 as of June 30, 2019 and 2018.

The scheduled maturities of corporate fixed income securities as of June 30, 2019 and 2018 are as follows:

	2019	2018
Less than 1 year	$ -	$ 14,947
1 to 5 years	51,211	-
	$ 51,211	$ 14,947

Note 6. Liquidity and Availability of Resources

The Center has $2.76 million of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditure. They comprise the following:

Cash and cash equivalents	$ 38,822
Accounts receivable	781,684
Contributions receivable	356,352
Short-term investments	1,587,626
	$ 2,764,484

None of the financial assets listed are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Center has a goal to maintain 60 days of normal operating expenses, which are, on average, approximately $1.12 million.

Note 7. Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows at June 30, 2019 and 2018:

	2019	2018
Land and improvements	$ 191,393	$ 191,393
Buildings and improvements	5,672,902	5,603,117
Equipment and fixtures	656,342	563,491
	6,520,637	6,358,001
Accumulated depreciation	(2,963,100)	(2,780,061)
	$ 3,557,537	$ 3,577,940

Depreciation expense totaled $183,039 in 2019 and $157,166 in 2018. The Center retired $262,709 of fully depreciated equipment and fixtures in 2018.

Note 8. Restrictions and Limitations on Net Asset Balances

Net assets with donor-imposed restrictions that are not invested in perpetuity at June 30, 2019 and 2018, were allocated as follows:

	2019	2018
Time restricted	$ 316,352	$ 119,752
Capital projects	100,000	25,166
Education services	89,829	70,800
Internships	80,700	110,490
Summer programs	71,550	56,600
Accessibility services	24,000	-
Community services	19,096	10,709
Low vision	13,475	7,025
Professional development	10,000	-
Employee recognition	8,982	9,175
Scholarships	5,000	5,000
Rehabilitation services	400	11,538
	$ 739,384	$ 426,254

Note 8. Restrictions and Limitations on Net Asset Balances (continued)

The sources of net assets released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	2019	2018
Program restrictions:		
Education services	$ 101,221	$ -
Summer programs	66,600	110,500
Rehabilitation services	41,000	-
Internships	29,789	9,511
Low vision	15,000	10,000
Web accessibility	12,000	28,000
Community services	7,479	-
Job readiness	5,138	135,625
Employee recognition	585	825
	278,812	294,460
Expiration of time restrictions	114,752	-
Property and equipment acquistion restrictions	25,179	128,164
	$ 418,743	$ 422,624

Note 9. Program Revenues

The Center has a number of lines of businesses which include adult rehabilitation training and primary and secondary school education. The following table summarizes the percentages of revenue derived from each of these programs.

	2019	2018
Education services	42%	43%
Rehabilitation services	37%	37%
Community services	11%	9%
Computer Training services	5%	6%
Accessibility services	4%	4%
Low Vision services	1%	1%
	100%	100%

Note 10. Endowment Fund

The Center's Endowment Fund consists of various donor-imposed restricted endowment funds and funds designated as quasi-endowment by the Board. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The following is a breakdown of endowment funds by net asset classification as of June 30, 2019 and 2018:

	2019	2018
Donor restricted endowment funds	$ 681,949	$ 586,267
Board designated endowment funds	1,587,626	1,428,807
	$ 2,269,575	$ 2,015,074

The changes in endowment net asset fair values for the years ended June 30, 2019 and 2018 were as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of fiscal year	$ 1,428,807	$ 586,267	$ 2,015,074
Investment return:			
Interest and dividends net of fees	12,535	22,112	34,648
Net realized appreciation	398	-	398
Net unrealized appreciation	-	4,317	4,317
Net investment gain	12,933	26,429	39,363
Contributions	4,626	95,682	100,308
Appropriation of funds	26,429	(26,429)	-
Transfers from operations	114,831	-	114,831
Net increase in endowment net assets	158,819	95,682	254,501
Endowment net assets at end of fiscal year	$ 1,587,626	$ 681,949	$ 2,269,575

Note 10. Endowment Fund (continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of fiscal year	$ 1,264,414	$ 586,267	$ 1,850,681
Investment return:			
Interest and dividends	12,603	14,714	27,318
Investment fees	(150)	-	(150)
Net unrealized depreciation	(614)	(12,889)	(13,504)
Net investment gain	11,839	1,825	13,664
Appropriation of funds	1,825	(1,825)	-
Transfers from operations	150,729	-	150,729
Net increase in endowment net assets	164,393	-	164,393
Endowment net assets at end of fiscal year	$ 1,428,807	$ 586,267	$ 2,015,074

Note 11. Split Interest Agreement

The Center received a signed pledge agreement from a donor for a $250,000 gift in 2018. The terms of the gift stipulate that the Center pay a quarterly annuity to a third party at 5.4% per annum of the corpus for life. Upon the death of the annuitant the remainder becomes the property of the Center. The net present value of the annuity liability at June 30, 2019 and 2018, is $141,074 and $154,606, respectively.

Note 12. Related Party Transactions

A member of the Board is employed by an unrelated organization which renders information technology services to the Center. Fees incurred to this organization for the years ended June 30, 2019 and 2018, totaled $3,673 and $0, respectively. There were no amounts payable to this vendor at June 30, 2019 and 2018.

A former member of the Board is employed by an unrelated organization which rendered public relations and communication professional services to the Center. Fees incurred to this organization for the years ended June 30, 2019 and 2018, totaled $0 and $8,750, respectively. There were no amounts payable to this vendor at June 30, 2019 and 2018.

Note 13. Long-Term Debt

The Center acquired plant equipment in September 2018 with a value of $2,630 to be paid over two years with an unsecured interest-free loan. The loan is recorded on the financial statements at its net present value at the time of the transaction. The scheduled maturities of the loan over the next two years are as follows:

Year ending June 30,	
2020	$ 555
2021	114

Imputed interest on the loan totaled $27 in 2019.

Note 14. Retail Store

The Center operates a retail store on its campus, that specializes in providing low vision products, adaptive devices, and technology. The following is a summary of its operations for the years ended June 30, 2019 and 2018.

	2019		2018	
Sales		$ 218,963		$ 224,794
Cost of goods sold:				
Inventory - beginning	$ 99,340		$ 80,547	
Purchases	131,119		158,583	
	230,459		239,130	
Inventory - end	108,443		99,340	
		122,015		139,790
Gross margin		96,948		85,004
Expenses:				
Direct	118,915		132,941	
Indirect	13,534		13,174	
		132,450		146,115
Net deficit		$ (35,502)		$ (61,111)

Note 15. Retirement and Cafeteria Plans

The Center has a defined contribution retirement plan available to substantially all of its employees. The Center's contribution matches up to 3% of participating employees' salaries to the plan. For the years ended June 30, 2019 and 2018, the Center's contributions to the plan were $66,450 and $58,590, respectively.

The Center provides employees with a flexible spending plan that offer participants the choice of receiving certain health, dental, and childcare benefits through reduced taxable compensation in lieu of cash. For the years ended June 30, 2019 and 2018, the Center's contributions to the plan were $31,438 and $25,326, respectively.

Note 16. Contingencies

From time to time the Center is involved in legal actions arising in the ordinary course of business. Although the ultimate outcome of the actions cannot be determined, management's opinion is that the Center has adequate legal defenses or insurance coverage with respect to these actions, and that the amount of any liability will not have a material impact on the financial statements.

Federal and state funded programs are routinely subject to audit. The reports on such audit examinations, which are conducted pursuant to specific regulatory requirements by the auditors for the Center, are required to be submitted to both the Center and the DOE. The DOE has the authority to determine liabilities as well as to limit, suspend, or terminate Federal cost reimbursement programs. In the opinion of management, the results of such audits, if any, will not have a material effect on the Center's financial position as of June 30, 2019 or 2018, or on its changes in net assets for the years then ended.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
The Carroll Center for the Blind, Inc.

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 financial statements of The Carroll Center for the Blind, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities without donor restrictions, activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Carroll Center for the Blind, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Carroll Center for the Blind, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Carroll Center for the Blind, Inc.'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 entity's 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Carroll Center for the Blind, Inc.'s 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts

November 14, 2019