THE CARROLL CENTER FOR THE BLIND, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

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For the Years Ended June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of unrestricted activities, 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, 2018 and 2017, 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 December 27, 2018, 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
December 27, 2018

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 757,150	$ 1,181,670
Accounts receivable, net of allowance for doubtful accounts of $10,789 in 2018 and $11,540 in 2017	862,234	861,345
Contributions receivable	337,066	10,000
Other receivables	935	4,419
Merchandise inventory	99,340	80,547
Prepaid expenses	126,433	136,232
Total current assets	2,183,158	2,274,213
Investments	2,015,074	1,850,681
Property, Plant, and Equipment	3,577,940	3,485,864
Contributions Receivable	45,000	10,000
Total Assets	$ 7,821,173	$ 7,620,758

	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 140,766	$ 67,885
Accrued payroll	316,349	260,777
Accrued expenses	46,296	33,680
Current portion of annuity obligation	13,500	-
Total current liabilities	516,911	362,343
Long-Term Liabilities:		
Annuity obligation, net of current portion	141,106	-
Contingent Liabilities	-	-
Total liabilities	658,017	362,343
Net Assets:		
Unrestricted, available for:		
Operations	1,284,993	1,621,554
Net investment in plant	3,577,940	3,485,864
Board designated for endowment	1,428,807	1,264,414
	6,150,634	6,371,832
Temporarily restricted	426,254	300,317
Permanently restricted	586,267	586,267
Total net assets	7,163,156	7,258,416
Total Liabilities and Net Assets	$ 7,821,173	$ 7,620,758

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

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENTS OF UNRESTRICTED ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES:		
Revenues:		
Operating revenues:		
Program services	$ 4,720,351	$ 5,472,576
Contributions	1,050,459	980,975
Retail store gross margin	85,004	77,035
Investment income	27,318	27,491
Other income	20,325	21,992
Total operating revenues	5,903,457	6,580,069
Net assets released from restrictions:		
Satisfaction of program restrictions	294,460	363,297
Satisfaction of property acquisition restrictions	128,164	4,050
Total net assets released from restrictions	422,624	367,347
Total revenues, gains, and other support	6,326,081	6,947,415
Expenses:		
Program services:		
Rehabilitation services	1,920,695	1,961,353
Education services	1,829,048	2,079,010
Community services	511,374	572,199
Computer training	315,752	269,228
Other	448,772	404,853
Support services:		
General and administrative	1,173,201	1,037,697
Fundraising	510,359	435,389
Total expenses	6,709,200	6,759,729
Change in Unrestricted Net Assets from Operating Activities	(383,119)	187,687
NONOPERATING ACTIVITIES:		
Bequests	175,000	358,921
Net realized and unrealized gain/(loss) on investments	(13,504)	12,561
Net gain on sale of property, plant, and equipment	425	-
Change in Unrestricted Net Assets from Nonperating Activities	161,921	371,482
CHANGE IN UNRESTRICTED NET ASSETS	$ (221,197)	$ 559,168

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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:								
Program services	$ 4,720,351	$ -	$ -	$ 4,720,351	$ 5,472,576	$ -	$ -	$ 5,472,576
Contributions	1,225,459	548,562	-	1,774,021	1,339,895	487,111	-	1,827,006
Retail store gross margin	85,004	-	-	85,004	77,035	-	-	77,035
Investment income	27,318	-	-	27,318	27,491	-	-	27,491
Net realized and unrealized gain/(loss) on investments	(13,504)	-	-	(13,504)	12,561	-	-	12,561
Other income	20,325	-	-	20,325	21,992	-	-	21,992
Net gain on sale of property, plant, and equipment	425	-	-	425	-	-	-	-
Net assets released from restrictions	422,624	(422,624)	-	-	367,347	(367,347)	-	-
Total revenues, gains, and other support	6,488,003	125,937	-	6,613,940	7,318,897	119,764	-	7,438,661
EXPENSES:								
Program services	5,025,640	-	-	5,025,640	5,286,643	-	-	5,286,643
General and administrative	1,173,201	-	-	1,173,201	1,037,697	-	-	1,037,697
Fundraising	510,359	-	-	510,359	435,389	-	-	435,389
Total expenses	6,709,200	-	-	6,709,200	6,759,729	-	-	6,759,729
CHANGE IN NET ASSETS	(221,197)	125,937	-	(95,260)	559,168	119,764	-	678,933
NET ASSETS - Beginning of Year	6,371,832	300,317	586,267	7,258,416	5,812,663	180,553	586,267	6,579,483
NET ASSETS - End of Year	$ 6,150,634	$ 426,254	$ 586,267	$ 7,163,156	$ 6,371,832	$ 300,317	$ 586,267	$ 7,258,416

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (95,260)	$ 678,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	157,166	151,858
Net realized and unrealized (gain)/loss on investments	13,504	(12,561)
Noncash gifts received	(110,473)	(1,372)
(Increase)/decrease in operational assets:		
Accounts receivable	(890)	300,909
Contributions receivable	(362,066)	122,625
Other receivables	3,484	(4,419)
Merchandise inventory	(18,793)	20,032
Prepaid expenses	9,799	46,463
Increase/(decrease) in current liabilities:		
Accounts payable	72,881	(150,855)
Accrued payroll	55,572	(53,219)
Accrued expenses	12,616	(19,065)
Annuity obligation	154,606	-
Total adjustments	(12,594)	400,397
Net cash provided by/(used in) operating activities	(107,854)	1,079,330
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(138,770)	(65,535)
Proceeds from maturities and redemptions of investments	20,150	56,240
Purchases of investments	(198,046)	(158,114)
Net cash used in investing activities	(316,666)	(167,409)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(424,520)	911,921
CASH AND CASH EQUIVALENTS - Beginning of Year	1,181,670	269,749
CASH AND CASH EQUIVALENTS - End of Year	$ 757,150	$ 1,181,670
SUPPLEMENTAL DISCLOSURES FOR NONCASH INVESTING AND FINANCING ACTIVITIES		
Gifts of marketable securities	$ -	$ 1,372
Gifts of property, plant, and equipment	$ 110,473	$ -
Cost basis of fully depreciated retired equipment and fixtures	$ 262,709	$ -

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				
	Community Services	Computer Training	Education Services	Low Vision	Rehabilitation Services	Retail Store	Web Accessibility	Total	Plant Operations	General and Admin	Fundraising	Total	Grand Total
Salaries	$ 368,779	$ 204,270	$ 1,024,291	$ 76,558	$ 1,125,853	$ 104,125	$ 88,233	$ 2,992,109	$ 125,188	$ 745,968	$ 254,936	$ 1,126,092	$ 4,118,201
Employee benefits	38,233	19,095	127,843	20,710	137,411	5,558	13,450	362,300	32,218	90,338	17,639	140,195	502,495
Payroll taxes	27,357	15,179	87,235	5,182	91,663	7,947	6,522	241,085	8,771	52,942	26,139	87,853	328,937
	434,369	238,543	1,239,369	102,449	1,354,927	117,630	108,206	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	70	4	-	10	60	5,458	-	5,602	-	905	4,840	5,744	11,347
Conferences	70	-	2,603	-	7,770	630	-	11,073	-	2,071	909	2,980	14,053
Consultants	5,857	5,350	8,193	-	28,988	-	74,115	122,504	-	100	22,630	22,730	145,234
Depreciation	337	1,133	3,381	-	5,332	167	128	10,478	138,854	6,697	1,138	146,688	157,166
Dining service	-	16,160	-	-	176,535	-	-	192,695	-	-	-	-	192,695
Dues and subscriptions	32	445	412	-	55	-	-	944	-	10,005	1,053	11,058	12,002
Equipment rental	-	19	-	-	6,499	-	-	6,519	-	905	6,148	7,053	13,572
Events	-	-	-	-	-	-	-	-	-	458	4,826	5,284	5,284
Insurance	1,382	976	6,962	119	6,299	771	600	17,108	19,611	17,924	-	37,535	54,643
Legal	-	-	175	-	-	-	-	175	-	-	8,613	8,613	8,788
Marketing	-	120	1,750	-	65	-	-	1,935	-	49,721	673	50,394	52,329
Occupancy	-	-	6,614	-	11,741	-	-	18,355	-	-	-	-	18,355
Other expense	-	-	3,900	-	-	-	-	3,900	-	-	-	-	3,900
Postage	25	75	1,132	-	512	951	-	2,695	74	1,357	22,107	23,538	26,233
Printing	-	638	861	160	1,560	1,539	124	4,882	37	2,943	33,238	36,218	41,100
Professional fees	1,740	516	4,484	290	2,025	2,630	-	11,684	-	21,333	59,025	80,357	92,042
Publications	-	176	422,328	-	110	-	-	422,615	-	-	-	-	422,615
Recruitment	-	-	98	-	-	-	-	98	-	4,279	81	4,360	4,458
Repairs and maintenance	224	177	3,577	28	4,818	28	-	8,852	88,028	1,192	848	90,068	98,921
Supplies	15,331	4,525	19,292	307	22,595	3,600	310	65,961	6,825	20,789	14,686	42,300	108,261
Travel	28,002	707	53,157	451	17,738	476	-	100,530	160	1,728	1,065	2,953	103,483
Utilities	3,361	7,183	15,593	1,425	40,116	2,365	1,524	71,568	45,400	27,518	3,402	76,320	147,888
	490,800	276,747	1,793,883	105,239	1,687,745	136,244	185,007	4,675,666	465,167	1,084,372	483,996	2,033,535	6,709,200
Plant operations allocated	20,573	39,005	35,164	9,871	232,950	9,871	2,539	349,974	(465,167)	88,830	26,362	(349,974)	-
	$ 511,374	$ 315,752	$ 1,829,048	$ 115,111	$ 1,920,695	$ 146,115	$ 187,546	$ 5,025,640	$ -	$ 1,173,201	$ 510,359	$ 1,683,560	$ 6,709,200
	7.6%	4.7%	27.3%	1.7%	28.6%	2.2%	2.8%	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.

THE CARROLL CENTER FOR THE BLIND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services								Supporting Services				
	Community Services	**Computer Training**	**Education Services**	**Low Vision**	**Rehabilitation Services**	**Retail Store**	**Web Accessibility**	**Total**	**Plant Operations**	**General and Admin**	**Fundraising**	**Total**	**Grand Total**
Salaries	$ 411,553	$ 186,695	$ 1,175,297	$ 77,567	$ 1,109,852	$ 85,513	$ 92,115	$ 3,138,592	$ 111,529	$ 656,132	$ 208,161	$ 975,821	$ 4,114,413
Employee benefits	43,966	16,357	163,871	18,847	147,206	4,203	16,504	410,954	33,290	60,872	22,451	116,614	527,568
Payroll taxes	30,454	13,954	106,218	5,039	80,614	6,520	6,690	249,490	7,557	47,579	14,936	70,072	319,562
	485,973	217,006	1,445,386	101,453	1,337,673	96,236	115,310	3,799,037	152,376	764,583	245,548	1,162,507	4,961,544
Accounting and audit	-	-	-	-	-	-	-	-	-	25,200	-	25,200	25,200
Bad debt expense	-	-	(731)	-	-	-		(731)	-	-	-	-	(731)
Bank charges	6	-	-	13	-	5,295	4	5,317	-	201	541	742	6,060
Conferences	200	(242)	2,318	999	2,936	890	-	7,100	-	3,578	350	3,928	11,028
Consultants	6,604	1,850	22,383	-	30,190	-	46,999	108,027	-	10,319	22,255	32,574	140,600
Depreciation	423	1,958	4,224	1,295	27,978	2,062	342	38,283	102,374	9,631	1,570	113,575	151,858
Dining service	57	43	3,556	-	213,483	-	-	217,139	-	4,783	966	5,749	222,888
Dues and subscriptions	-	-	250	-	-	-	-	250	60	8,591	1,892	10,543	10,793
Equipment rental	-	-	2,315	-	4,743	-	-	7,058	-	2,286	-	2,286	9,344
Events	-	-	-	-	94	-	-	94	-	1,840	48,826	50,665	50,760
Insurance	3,847	4,827	14,482	1,312	27,156	2,023	2,210	55,855	13,247	12,190	2,826	28,263	84,119
Legal	-	-	-	-	-	-	-	-	-		10,147	10,147	10,147
Marketing	-	-	8,523	-	-	-	-	8,523	-	35,612	301	35,914	44,437
Occupancy	-	-	4,189	-	16,461	-	-	20,650	-	-	-	-	20,650
Other expense	-	-	315	-		-	-	315	-	-	-	-	315
Postage	127	34	1,681	2	153	273	-	2,270	9	3,605	21,353	24,967	27,237
Printing	-	394	757	62	414	724	62	2,413	-	2,997	24,777	27,774	30,187
Professional fees	1,661	1,905	4,280	276	1,933	1,200		11,256	-	33,502	25,160	58,662	69,918
Publications	-	-	439,681	-	-	-	-	439,681	-	-	-	-	439,681
Recruitment	-	-	-	-	45	-	-	45	-	4,406	242	4,648	4,693
Repairs and maintenance	288	144	3,025	36	4,241	498	-	8,232	109,932	1,928	459	112,319	120,551
Supplies	13,303	2,440	18,575	525	22,495	1,659	208	59,205	1,046	18,984	4,203	24,234	83,439
Travel	38,975	(93)	56,768	428	16,783	321	(32)	113,151	483	3,162	490	4,136	117,286
Utilities	4,807	4,916	18,369	1,113	32,560	1,959	1,679	65,402	26,843	22,979	2,503	52,325	117,727
	556,271	235,183	2,050,346	107,514	1,739,337	113,139	166,782	4,968,571	406,369	970,379	414,408	1,791,157	6,759,729
Plant operations allocated	15,928	34,045	28,664	7,602	222,016	7,602	2,216	318,071	(406,369)	67,318	20,981	(318,071)	-
	$ 572,199	$ 269,228	$ 2,079,010	$ 115,115	$ 1,961,353	$ 120,740	$ 168,998	$ 5,286,643	$ -	$ 1,037,697	$ 435,389	$ 1,473,086	$ 6,759,729
	8.5%	4.0%	30.8%	1.7%	29.0%	1.8%	2.5%	78.2%	0.0%	15.4%	6.4%	21.8%	100.0%

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

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 follows standards for external financial reporting by not-for-profit corporations. These standards specify that financial statements include a statement of financial position, a statement of activities, a statement of changes in net assets, a statement of cash flows, and a statement of functional expenses. They also require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (i.e., donor) imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into three net asset categories as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors (the "Board").
- Temporarily restricted net assets – Net assets whose use by the Center is subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations, or that expire by the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the investment return on these assets. Such assets primarily include the Center's permanent endowment funds.

Note 2. Significant Accounting Policies (continued)

b) Basis of Accounting

The Center utilizes the accrual method of accounting, whereby revenues are recorded when earned and expenses recorded when incurred.

c) 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.

d) 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.

e) Contributions and Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met. New pledges and contributions of assets other than cash are recorded at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate interest rate commensurate with the risk involved. Amortization of discount is recorded as additional 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.

Note 2. Significant Accounting Policies (continued)

The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends, or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of property, plant, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset category. Contributions of cash or other assets with donor stipulations that they be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset category. The restrictions are considered released at the time that such long-lived assets are placed in service.

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 marketable 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 income and gains subject to donor restrictions are reported as increases in unrestricted net asset if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

Note 2. Significant Accounting Policies (continued)

h) 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.

i) 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

j) 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, 2018 and 2017.

Note 2. Significant Accounting Policies (continued)

k) 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.

l) 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.

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, 2017, 2016, and 2015.

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 unrestricted activities 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.

Note 2. Significant Accounting Policies (continued)

o) Advertising

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

p) 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. Actual results could differ from those estimates.

q) 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.

r) 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 December 27, 2018, which is the date the financial statements were available to be issued. See note 14.

s) 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 will change the way all not-for-profits classify net assets and prepare financial statements, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

The amendments in the update are intended to make improvements that address the complexity in net asset classification; clarity of information regarding liquidity and availability of cash; transparency in reporting if financial reporting measures; consistency in reporting of expenses by function and nature; and utility of the statement of cash flows.

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, 2019.

Note 3. Accounts Receivable

The following summarizes accounts receivable at June 30, 2018 and 2017:

	2018	2017
0 - 30 days	$ 432,278	$ 340,252
31 - 60 days	364,973	504,529
61 - 90 days	59,111	13,340
91 - 120 days	9,425	3,100
Over 120 days	7,237	11,664
	873,023	872,885
Allowance for doubtful accounts	(10,789)	(11,540)
	$ 862,234	$ 861,345

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, 2018 and 2017, was concentrated in the following clients who each comprised more than 10% of the Center's program services revenues:

	2018	2017
Massachusetts public and private school systems	32%	32%
Massachusetts Commission for the Blind	31%	31%
Massachusetts Department of Elementary and Secondary Education	15%	13%

At June 30, 2018 and 2017, the significant clients accounted for the following amounts of the Center's accounts receivable.

	2018		2017	
Massachusetts Commission for the Blind	$ 287,188	33%	$503,569	58%
Massachusetts public and private school systems	$ 71,697	8%	$261,810	30%
Massachusetts Department of Elementary and Secondary Education	$ 96,591	11%	$ 17,208	2%

Note 4. 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 2018 and 2017. All contributions receivable are expected to be collected within the next two years as follows:

Year Ending June 30,	
2019	$ 337,066
2020	45,000
	$ 382,066

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, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Certificate of deposit	$ 50,000	$ 50,117	$ 50,000	$ 50,476
Money market funds	1,496,770	1,496,770	1,298,874	1,298,874
Corporate bonds	15,000	14,947	35,556	35,203
Fixed income mutual funds	476,232	453,239	477,418	466,128
	$ 2,038,002	$ 2,015,074	$ 1,861,848	$ 1,850,681

The scheduled maturities of corporate fixed income securities as of June 30, 2018 and 2017 are as follows:

	2018	2017
Less than 1 year	$ 14,947	$ 20,180
1 to 5 years	-	15,023
	$ 14,947	$ 35,203

Note 5. Investments (continued)

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

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 permanently restricted net assets:

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-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily 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.

Note 5. Investments (continued)

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 unrestricted elements of the invested assets.

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 permanently restricted contributions. Subsequent gains that restore the fair value of the assets of endowment fund to the required level will be classified as an increase in unrestricted net assets. Deficiencies of this nature that are reported as reductions in unrestricted net assets totaled $23,863 and $13,999 as of June 30, 2018 and 2017, respectively.

Note 6. Property, Plant, and Equipment

Property, plant, and equipment are summarized as follows at June 30, 2018 and 2017:

	2018	2017
Land and improvements	$ 191,393	$ 189,659
Buildings and improvements	5,603,117	5,442,396
Equipment and fixtures	563,491	739,412
	6,358,001	6,371,467
Accumulated depreciation	(2,780,061)	(2,885,603)
	$ 3,577,940	$ 3,485,864

Depreciation expense totaled $157,166 in 2018 and $151,858 in 2017. The Center retired $262,709 of fully depreciated equipment and fixtures in 2018.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017, are available for the following purposes:

	2018	2017
Internships	$ 110,490	$ -
Time restricted	109,752	-
Education services	70,800	-
Summer programs	55,600	130,500
Capital projects	25,166	16,608
Rehabilitation services	16,400	15,000
Community services	10,709	4,709
Employee recognition	9,175	-
Low vision	7,025	1,000
Job readiness	5,138	99,500
Scholarships	5,000	5,000
Assistive technology	1,000	-
Web accessibility	-	28,000
	$ 426,254	$ 300,317

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

	2018	2017
Program Restrictions:		
Job readiness	$ 135,625	$ 140,500
Summer programs	110,500	121,692
Web accessibility	28,000	26,000
Low vision	10,000	-
Internships	9,511	-
Employee recognition	825	-
Vocational programming	-	40,000
Community services	-	32,500
Computer training	-	1,306
Education services	-	1,300
	294,460	363,298
Property and Equipment Acquistion Restrictions	128,164	4,049
	$ 422,624	$ 367,347

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions to be permanently invested. Income earned on these investments is restricted to funding programs. The following is a breakdown of endowment funds by net asset classification as of June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 586,267	$ 586,267
Board designated endowment funds	1,428,807	-	-	1,428,807
	$1,428,807	$ -	$ 586,267	$2,015,074

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ -	$ 586,267	$ 586,267
Board designated endowment funds	1,264,414	-	-	1,264,414
	$1,264,414	$ -	$ 586,267	$1,850,681

The following summarizes the sources of increases to and decreases from endowment net asset fair values for the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	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
Endowment net assets at end of fiscal year	$1,428,807	$ -	$ 586,267	$2,015,074

Note 8. Permanently Restricted Net Assets (continued)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of fiscal year	$1,148,608	$ -	$ 586,267	$1,734,875
Investment return:				
Interest and dividends	14,337	13,328	-	27,665
Investment fees	(175)	-	-	(175)
Net realized appreciation	202	-	-	202
Net unrealized appreciation	(1,244)	13,603	-	12,359
Net investment gain	13,120	26,931	-	40,051
Appropriation of funds	26,931	(26,931)		-
Transfers from operations	74,384	-	-	74,384
New gifts	1,372	-	-	1,372
Endowment net assets at end of fiscal year	$1,264,414	$ -	$ 586,267	$1,850,681

Note 9. 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 is $154,606. Both the pledge receivable and the annuity liability are included on the Statements of Financial Position at June 30, 2018; and the contribution is recorded on the Statements of Activities and Changes in Net Assets for the year ended June 30, 2018, at the net value between the pledge and the annuity liability. See note 14.

Note 10. 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, 2018 and 2017.

	2018		2017	
Sales		$ 224,794		$ 172,943
Cost of goods sold:				
Inventory - beginning	$ 80,547		$ 100,579	
Purchases	158,583		75,875	
	239,130		176,455	
Inventory - end	99,340		80,547	
		139,790		95,908
Gross margin		85,004		77,035
Expenses:				
Direct	132,941		107,095	
Indirect	13,174		13,645	
		146,115		120,740
Net deficit		$ (61,111)		$ (43,705)

Note 11. 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, 2018 and 2017, the Center's contributions to the plan were $58,590 and $58,685, respectively.

The Center provides employees with a flexible spending plan that offer participants the choice of receiving certain health, dental, and child care benefits through reduced taxable compensation in lieu of cash. For the years ended June 30, 2018 and 2017, the Center's contributions to the plan were $25,326 and $36,488, respectively.

Note 12. Related Party Transactions

A member of the Board is employed by an unrelated organization which renders public relations and communication professional services to the Center. Fees incurred to this organization for the years ended June 30, 2018 and 2017, totaled $8,750 and $42,000, respectively. There were no amounts payable to this vendor at June 30, 2018 and 2017.

Note 13. 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, 2018 or 2017, or on its changes in net assets for the years then ended.

Note 14. Subsequent Event

To mitigate the effects of the actuarial risk inherent in the annuitant's life expectancy and the amount of the corpus in respect of the split-interest agreement, the Center purchased a single premium annuity from a life insurance company subsequent to the balance sheet date. The cost of this investment is approximately $175,000.

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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, 2018, and the related statements of unrestricted activities, 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 December 27, 2018.

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

December 27, 2018