



The May Institute, Inc. and Affiliates

Consolidated Financial Statements,
Supplementary Information and
Supplemental Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2016

THE MAY INSTITUTE, INC. AND AFFILIATES

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Independent Auditor's Report

To the Board of Directors
The May Institute, Inc. and Affiliates
Randolph, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The May Institute, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The May Institute, Inc. and Affiliates as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The 2015 consolidated financial statements of The May Institute, Inc. and Affiliates were audited by Feeley & Driscoll, P.C., whose partners and professional staff joined BDO USA, LLP as of May 1, 2016, and whose report dated November 2, 2015, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, consolidating statements of financial position and activities, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016, on our consideration of The May Institute, Inc. and Affiliates' 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 May Institute, Inc. and Affiliates' internal control over financial reporting and compliance.

BDO USA, LLP

November 15, 2016

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Financial Position

June 30, 2016

(with comparative totals as of June 30, 2015)

	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			<u>LIABILITIES AND NET ASSETS</u>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 1,805,638	\$ 2,520,817	Note payable, line of credit	\$ 750,000	\$ 1,000,000
Custodial funds	439,524	401,244	Current maturities of long-term debt	871,984	837,300
Escrow deposits	139,029	114,300	Accounts payable	1,297,948	2,068,486
Accounts receivable, net	11,092,690	9,306,953	Accrued expenses	3,139,153	2,841,721
Pledges receivable, net	186,195	183,375	Other current liabilities	120,320	35,171
Prepaid expenses	264,081	251,351	Total current liabilities	<u>6,179,405</u>	<u>6,782,678</u>
Investments	<u>6,920,728</u>	<u>6,845,583</u>			
Total current assets	<u>20,847,885</u>	<u>19,623,623</u>			
Assets whose use is limited or restricted -			Long-term debt, net of current maturities	24,999,030	25,871,008
Board designated investments	<u>833,800</u>	<u>827,722</u>	Other liabilities	<u>543,006</u>	<u>507,934</u>
Property, plant and equipment, net	<u>32,215,528</u>	<u>33,800,979</u>	Total liabilities	<u>31,721,441</u>	<u>33,161,620</u>
			Commitments and contingencies		
Other assets:			Net assets:		
Deposits	415,069	407,445	Unrestricted	21,807,788	20,800,443
Deferred financing costs, net	353,104	371,259	Temporarily restricted	1,624,532	1,575,899
Other assets	<u>489,375</u>	<u>507,934</u>	Permanently restricted	<u>1,000</u>	<u>1,000</u>
Total other assets	<u>1,257,548</u>	<u>1,286,638</u>	Total net assets	<u>23,433,320</u>	<u>22,377,342</u>
Total assets	<u>\$ 55,154,761</u>	<u>\$ 55,538,962</u>	Total liabilities and net assets	<u>\$ 55,154,761</u>	<u>\$ 55,538,962</u>

See accompanying notes to consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Activities

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	2016			2015	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	<u>Totals</u>
Revenues, other support, gains and losses:					
Tuition	\$ 40,869,858	\$ -	\$ -	\$ 40,869,858	\$ 36,216,369
Contract revenue	50,390,667	-	-	50,390,667	50,038,313
Consulting and management services	3,097,312	-	-	3,097,312	3,145,482
Third-party fees	15,430,890	-	-	15,430,890	15,114,464
Consumer revenue	3,601,744	-	-	3,601,744	3,243,680
Other program revenue	799,464	-	-	799,464	972,647
Contributions, grants and subsidies	473,636	211,485	-	685,121	1,582,955
Interest income	249,749	-	-	249,749	87,398
Net loss on investment activity	(167,710)	-	-	(167,710)	(24,873)
Loss on sale of equipment	-	-	-	-	(47,578)
Other sources	186,241	-	-	186,241	415,473
Net assets released from restrictions	162,852	(162,852)	-	-	-
Total revenues, other support, gains and losses	<u>115,094,703</u>	<u>48,633</u>	<u>-</u>	<u>115,143,336</u>	<u>110,744,330</u>
Expenses:					
The May Institute, Inc. program services:					
Educational Services	33,451,156	-	-	33,451,156	31,267,629
Adult Residential and Day Services	50,932,527	-	-	50,932,527	48,829,578
Consulting and Home Based Services	9,321,102	-	-	9,321,102	8,863,858
Behavioral Health Services	2,339,952	-	-	2,339,952	2,745,772
Other programs	1,273,134	-	-	1,273,134	1,063,622
The Bay School Program Services	4,188,651	-	-	4,188,651	3,984,423
National Autism Center, Inc. Program Services	65,229	-	-	65,229	194,778
Greater Springfield Residences, Inc. Program Services	91,913	-	-	91,913	103,937
The May - West Roxbury Residences, Inc. Program Services	<u>83,128</u>	<u>-</u>	<u>-</u>	<u>83,128</u>	<u>82,622</u>
Total program service expenses	101,746,792	-	-	101,746,792	97,136,219
Management and general	11,714,128	-	-	11,714,128	11,952,313
Fundraising	<u>626,438</u>	<u>-</u>	<u>-</u>	<u>626,438</u>	<u>422,568</u>
Total expenses	<u>114,087,358</u>	<u>-</u>	<u>-</u>	<u>114,087,358</u>	<u>109,511,100</u>
Change in net assets	1,007,345	48,633	-	1,055,978	1,233,230
Net assets at beginning of the year	<u>20,800,443</u>	<u>1,575,899</u>	<u>1,000</u>	<u>22,377,342</u>	<u>21,144,112</u>
Net assets at the end of the year	<u>\$ 21,807,788</u>	<u>\$ 1,624,532</u>	<u>\$ 1,000</u>	<u>\$ 23,433,320</u>	<u>\$ 22,377,342</u>

See accompanying notes to consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	The May Institute, Inc.						
	Educational Services	Adult Residential and Day Services	Consulting and Home Based Services	Behavioral Health Services	Other Programs	The Bay School	National Autism Center
Salaries and wages	\$ 23,175,964	\$ 33,567,235	\$ 6,648,887	\$ 1,494,509	\$ 882,293	\$ 2,296,745	\$ 5,207
Employee benefits and payroll taxes	4,714,161	6,954,667	1,291,367	305,823	167,643	641,694	-
Professional fees and contracted services	441,860	577,368	152,702	8,993	8,581	320,025	-
Occupancy	2,246,283	4,831,557	305,901	384,105	72,940	595,089	13,919
Supplies	507,065	875,310	128,782	40,303	14,252	46,329	3,843
Transportation	368,415	1,648,237	359,428	43,595	15,355	157,656	-
Dietary expense	561,379	1,126,663	17,345	29,066	2,562	11,871	-
Interest expense	385,662	274,775	20,175	2,216	17,338	-	3,062
Depreciation and amortization	689,031	568,880	84,195	6,840	33,333	37,058	19,753
Other	361,336	507,835	312,320	24,502	58,837	82,184	19,445
	<u>\$ 33,451,156</u>	<u>\$ 50,932,527</u>	<u>\$ 9,321,102</u>	<u>\$ 2,339,952</u>	<u>\$ 1,273,134</u>	<u>\$ 4,188,651</u>	<u>\$ 65,229</u>

See accompanying notes to consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses - Continued

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

				Support Services			
	Greater Springfield Residences Inc.	The May-West Roxbury Residences, Inc.	Total Program Services	Management and General	Fundraising	2016 Total Expenses	2015 Total Expenses
Salaries and wages	\$ 19,373	\$ 8,550	\$ 68,098,763	\$ 6,286,547	\$ 335,023	\$ 74,720,333	\$ 71,164,389
Employee benefits and payroll taxes	2,452	-	14,077,807	1,390,958	41,760	15,510,525	14,349,601
Professional fees and contracted services	12,507	11,163	1,533,199	1,127,697	974	2,661,870	2,597,852
Occupancy	33,523	34,441	8,517,758	581,581	1,311	9,100,650	8,687,948
Supplies	-	-	1,615,884	300,014	37,773	1,953,671	2,757,508
Transportation	-	-	2,592,686	420,067	388	3,013,141	3,190,817
Dietary expense	-	-	1,748,886	51,841	705	1,801,432	1,818,297
Interest expense	-	-	703,228	419,800	-	1,123,028	1,100,440
Depreciation and amortization	24,000	28,918	1,492,008	483,896	1,167	1,977,071	1,988,172
Other	58	56	1,366,573	651,727	207,337	2,225,637	1,856,076
	<u>\$ 91,913</u>	<u>\$ 83,128</u>	<u>\$ 101,746,792</u>	<u>\$ 11,714,128</u>	<u>\$ 626,438</u>	<u>\$ 114,087,358</u>	<u>\$ 109,511,100</u>

See accompanying notes to consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

For the year ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,055,978	\$ 1,233,230
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	1,977,071	1,988,172
Provision for uncollectible accounts	353,184	500,204
Net realized and unrealized loss on investments	167,710	24,873
Loss on sale of property, plant and equipment	-	47,578
Increase (decrease) in cash resulting from a change in:		
Custodial funds	(38,280)	193,626
Accounts receivable	(2,138,921)	103,757
Pledges receivable	(2,820)	88,124
Prepaid expenses	(12,730)	39,705
Deposits	(7,624)	(1,784)
Other assets	18,559	-
Accounts payable	(770,538)	539,866
Accrued expenses	297,432	(2,317,685)
Other current liabilities	85,149	(2,903)
Other liabilities	35,072	-
Net cash provided by operating activities	<u>1,019,242</u>	<u>2,436,763</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(373,465)	(893,360)
Proceeds from sale of property, plant and equipment	-	161,318
Purchases of investments	(242,855)	(2,581,618)
Proceeds from (payment of) escrow deposits	(24,729)	3,091,637
Increase in board designated investments	(6,078)	(827,722)
Net cash used in investing activities	<u>(647,127)</u>	<u>(1,049,745)</u>
Cash flows from financing activities:		
Borrowings (payments) on line of credit	(250,000)	1,000,000
Repayments of long-term debt	(837,294)	(4,091,801)
Net cash used in financing activities	<u>(1,087,294)</u>	<u>(3,091,801)</u>
Net decrease in cash and cash equivalents	(715,179)	(1,704,783)
Cash and cash equivalents, beginning of year	<u>2,520,817</u>	<u>4,225,600</u>
Cash and cash equivalents, end of year	<u>\$ 1,805,638</u>	<u>\$ 2,520,817</u>
Supplemental disclosure of cash flow information -		
Cash paid during the year for interest	<u>\$ 1,123,028</u>	<u>\$ 1,100,440</u>

See accompanying notes to consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 1 - Organization

The May Institute, Inc. and Affiliates (the “Organization”) are not-for-profit organizations established for the purpose of providing educational and rehabilitative services for individuals and the families of individuals with autism, developmental disabilities, behavioral disorders, and mental illness.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - The consolidated financial statements include the accounts of The May Institute, Inc. (“May”), Greater Springfield Residences, Inc., The May-West Roxbury Residences, Inc., The Bay School, and National Autism Center, Inc. These corporations are under common control and management. All significant intercompany account balances and transactions, primarily related to the sharing of resources and operational support, have been eliminated in consolidation.

The accounts of the Organization are maintained on the accrual basis of accounting. Net assets are classified into unrestricted, temporarily restricted, and permanently restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified donor objectives. The assets, liabilities, and net assets of the Organization are reported as follows:

- *Unrestricted net assets*: include amounts not restricted for identified purposes by donors or grantors. These amounts are available to be used by the Board of Directors for the general purposes of the Organization and include amounts designated by the Board of Directors for future capital improvements and other program enhancements.
- *Temporarily restricted net assets*: are those whose uses by the Organization have been limited by donors or grantors to a specific period or purpose.
- *Permanently restricted net assets*: represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 2 - Summary of Significant Accounting Policies - Continued

Fair Value of Financial Instruments - The Organization determines the fair value of the financial instruments and includes this information in the notes to the financial statements when the value is materially different than the carrying value of those financial instruments.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Custodial Funds - The Organization maintains collective fiduciary accounts at financial institutions for the benefit of certain clients. The related liability is included within accrued expenses.

Escrow Deposits - Escrow deposits represent the debt service and debt service reserve funds related to tax-exempt bond issuances and escrow accounts required to be maintained by the U.S. Department of Housing and Urban Development ("HUD") and tenant security deposits. These amounts are carried at fair value.

Accounts Receivable - Accounts receivable are carried at their net realizable value. Accounts receivable consist mainly of accounts receivable from third-party payors and grants and contracts receivable from state and local governments. Accounts receivable where a third-party payor is responsible for paying the amount are carried at the original charge for the service provided. Consumer receivables due directly from the consumers are carried at the original charge for services provided. Grants and contracts receivable are carried at original invoice amount.

Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the services provided and the current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as an increase to the allowance for doubtful accounts when received. Interest is not charged on receivables. Accounts receivable are reported in the consolidated financial statements net of the allowance for doubtful accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all level 1 measurements) in the consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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.

Deferred Financing Costs - Deferred financing costs are amortized over the term of the related loan.

Assets Whose Use Is Limited or Restricted - Assets whose use is limited or restricted include assets set aside by the Board of Directors over which it retains control and may, at its discretion, use for various purposes; assets specified by donors or grantors for specific purposes; and assets held under an indenture agreement.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 2 - Summary of Significant Accounting Policies - Continued

Property and Equipment - The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Routine repairs and maintenance are expensed as incurred. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

Building and improvements	20 - 40 years
Furnishings and equipment	5 - 10 years
Computer hardware and software	3 - 10 years

Impairment of Long-Lived Assets - Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 360-10-35, "Accounting for the Impairment or Disposal of Long-Lived Assets," requires the Organization to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2016, the Organization did not recognize any impairment.

Contract and Grant Revenue - The majority of the Organization's students and consumers are primarily supported by state municipalities, other state agencies, third-party insurance, and Massachusetts, California, and Florida Medicaid. The Organization is subject to the regulations and rate formulas of the various funding agencies. Revenue is recorded at the Organization's rates of reimbursement as certified by the applicable funding agencies. Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in the disallowance of costs submitted for reimbursement. Management is of the opinion that such cost allowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential disallowances.

Gifts, Bequests and Contributions - The Organization recognizes contributions, including pledges receivable, as revenue in the period received at fair value. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received. The property is shown as unrestricted support unless explicit donor stipulations specify how the donated property must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets or acquired long-lived assets are placed in service.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 2 - Summary of Significant Accounting Policies - Continued

Program Service Fees - The Organization recognizes program service revenue (including tuition, consulting and management services, third-party fees, consumer revenue, and other program revenue) associated with services provided to clients who have third-party coverage on the basis of contractual rates for the services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursements to the Organization are subject to negotiation, audit, and/or final determination by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined. For uninsured clients, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Organization's uninsured clients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for bad debts related to uninsured clients in the period the services are provided. Payments received in advance of services are reported as deferred revenue.

Functional Expenses - The costs of providing the various activities of the Organization have been summarized on a functional basis on the statement of functional expenses. Accordingly, certain costs have been allocated among the respective programs and activities using methodologies developed by management.

Tax Status - The Organization is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. In accordance with generally accepted accounting principles, the Organization annually evaluates its tax status and tax positions taken with respect to its operations and financial position. Tax years from 2013 through the current year remain open for examination by federal and state taxing authorities.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions, and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdiction where so required. For the years ended June 30, 2016 and 2015, there were no interest or penalties recorded or included in the statement of activities.

Reclassification - Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format.

Subsequent Events - The Organization has evaluated subsequent events through November 15, 2016, which is the date the financial statements were available for issuance.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 3 - Concentration of Credit Risk

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The maximum deposit insurance amount is \$250,000 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category. As of June 30, 2016 and 2015, the Organization had approximately \$2,300,000 and \$3,700,000 in excess of FDIC limits, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

The Organization provides the majority of its services through provider agreements with Medicare, Medicaid, and contracts negotiated with various agencies of the Commonwealth of Massachusetts. Accordingly, these parties represent the majority of the Organization's accounts receivable balances at June 30:

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
City and town	\$ 6,902,773	60%	\$ 5,844,667	59%
Third-party	1,887,206	16%	1,450,240	15%
Commonwealth of Massachusetts	1,595,412	14%	1,617,106	16%
Other states	704,266	6%	492,565	5%
Commercial and other	253,871	2%	261,248	3%
Federal	103,966	1%	71,352	1%
Self-pay	85,775	1%	100,893	1%
	<u>11,533,269</u>	<u>100%</u>	<u>9,838,071</u>	<u>100%</u>
Less allowance for uncollectible accounts	<u>440,579</u>		<u>531,118</u>	
	<u>\$ 11,092,690</u>		<u>\$ 9,306,953</u>	

Management monitors and adjusts its allowances for uncollectible accounts to ensure that receivables are stated at their net realizable value. Although management expects the amounts recorded as net accounts receivable at June 30, 2016, to be collectible, this concentration of credit risk is expected to continue in the near term.

The methodology and assumptions utilized by management to estimate the allowance for doubtful accounts have not significantly changed from the prior year.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
HUD required escrow accounts	\$ 134,711	\$ 109,984
Tenant security deposits	<u>4,318</u>	<u>4,316</u>
	<u>\$ 139,029</u>	<u>\$ 114,300</u>

Note 5 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling \$46,271 and \$45,631 at June 30, 2016 and 2015, respectively. The pledges receivable balance is expected to be collected within one year.

Note 6 - Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited consisted of mutual funds totaling \$7,754,528 and \$7,673,305 at June 30, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 6,920,728	\$ 6,845,583
Board-designated funds	<u>833,800</u>	<u>827,722</u>
	<u>\$ 7,754,528</u>	<u>\$ 7,673,305</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 7 - Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board *Accounting Standards Codification* are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Valuations using unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The asset or liability's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 7 - Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments included in:				
Mutual funds:				
Fixed income	\$ 4,159,283	\$ -	\$ -	\$ 4,159,283
Stock	3,231,784	-	-	3,231,784
Cash reserves	363,461	-	-	363,461
Total mutual funds	<u>\$ 7,754,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,754,528</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments included in:				
Mutual funds:				
Fixed income	\$ 4,141,785	\$ -	\$ -	\$ 4,141,785
Stock	2,725,192	-	-	2,725,192
Cash reserves	610,450	-	-	610,450
Debt securities	195,878	-	-	195,878
Total mutual funds	<u>\$ 7,673,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,673,305</u>

Net gain (loss) on investment activity consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Net realized gains (losses)	\$ 7,553	\$ (4,162)
Net unrealized losses	<u>(175,263)</u>	<u>(20,711)</u>
	<u>\$ (167,710)</u>	<u>\$ (24,873)</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 8 - Endowment

The Organization's endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has interpreted state law as requiring realized and unrealized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Organization's Board of Directors and expended, except to the extent donors have indicated investment returns have certain restrictions, either permanent or purpose restrictions. State law allows the Board of Directors to appropriate as much of the net appreciation of permanently restricted net assets as is prudent considering the Organization's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price-level trends, and general economic conditions.

To satisfy its long-term rate of return objectives, the Organization 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). Endowment investments consist principally of mutual funds.

Note 9 - Property and Equipment, Net

Property and equipment, net was as follows at June 30:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 35,073,102	\$ 34,911,555
Land	9,409,899	9,366,779
Equipment	3,972,035	4,782,778
Leasehold improvements	2,822,143	2,766,588
Furniture and fixtures	1,020,705	1,009,436
Motor vehicles	325,648	325,648
Construction in progress	28,230	34,385
	<u>52,651,762</u>	<u>53,197,169</u>
Less accumulated depreciation and amortization	<u>20,436,234</u>	<u>19,396,190</u>
	<u><u>\$ 32,215,528</u></u>	<u><u>\$ 33,800,979</u></u>

Note 10 - Note Payable, Line of Credit

The Organization maintains a \$5,000,000 line of credit agreement with a Massachusetts-based bank. The line of credit expires on March 31, 2017. Drawings on the line of credit carry interest at the bank's prime rate, which was 3.50% and 3.25% at June 30, 2016 and 2015, respectively. The outstanding borrowings are \$750,000 and \$1,000,000 at June 30, 2016 and 2015, respectively.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 11 - Long-term Debt

On October 1, 2010, Massachusetts Development Finance Agency (“MDFA”) issued a 2010 Series Bond on behalf of May in the amount of \$16,000,000, secured by a building and real property. The purpose of this issue was to refinance the 2006 Series Bond and unwind a swap agreement, refinance conventional mortgage debt, and provide new financing for the purchase of real estate. Monthly principal and interest payments of \$81,212 began on November 1, 2010, with final maturity on October 1, 2040. The outstanding balance was \$14,375,694 and \$14,692,047 at June 30, 2016 and 2015, respectively.

The interest rate on the Series 2010 bond is fixed at 4.45% and subject to two adjustments over the duration of the bond. The first adjustment date and second adjustment date are set at October 1, 2020 and 2030, respectively. As of those dates, the interest rate will be adjusted to reflect the Federal Home Loan Bank Classic 10-Year Advance Rate on the remaining balance of the bonds on those dates, but not less than 4.45%.

On November 28, 2012, the Organization refinanced the Series 1999 bond debt, financed termination of the Series 1999 Forward Delivery Agreement in the amount of \$650,000, and secured \$3,500,000 in new MDFA debt secured by a building and real property. The Series A issue was \$3,500,000 and the Series B issue was \$11,482,000. The entire bond series is financed through a private placement with a Massachusetts bank. The bonds are directed towards the construction of an aquatics center, on site records storage facility, and renovations to the sites financed through both series.

The principal and interest payments began on January 1, 2013, for the Series A bond with final maturity on December 1, 2041. The interest rate was fixed at 2.95% until November 30, 2022, at which time it is subject to change. Monthly payments were due in the amount of \$14,745.

On June 30, 2014, the Board of Directors and management determined to abandon the aquatics center project. This event triggered the write-off of architectural renderings capitalized on the property in the amount of \$312,000 and deferred financing costs related to the project totaling \$66,111. The abandonment of the project also allowed the Organization to redeem the MDFA 2012 Series A bond on August 18, 2014.

In connection with the MDFA 2012 Series A and Series B bonds, the Organization also entered into a term note agreement for \$570,000, secured by a building and real property. Monthly principal and interest payments of \$23,750 began on January 1, 2013, with final maturity on December 1, 2014. The interest rate is the prime rate plus 100 basis points, which was 4.25% at June 30, 2014. The term note agreement was paid in full on December 1, 2014.

Prior to January 1, 2013, interest only payments on the Series B bond were due. Monthly principal and interest payments of \$73,485 began on January 1, 2015, with final maturity on December 1, 2043. The interest rate is fixed at 3.23% until November 30, 2022, at which time it is subject to change. The outstanding balance was \$10,705,922 and \$11,226,863 at June 30, 2016 and 2015, respectively.

Escrow deposits are required to be maintained (see Note 4). The bonds are a general obligation of the Organization and are secured by all assets of the Organization. The bond agreement contains restrictive covenants concerning certain financial statement ratios that the Organization has met as of June 30, 2016 and 2015.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 11 - Long-term debt - Continued

Long-term debt consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
MDFA 2010 Series Bond	\$ 14,375,694	\$ 14,692,047
MDFA 2012 Series B Bond	10,705,922	11,226,863
Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due November 2033, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity.	376,946	376,946
Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due June 2029, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity.	263,901	263,901
Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due November 2032, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity.	72,557	72,557
Promissory note payable to the North Shore Home Consortium, with 0% stated interest rate, due October 2017, secured by real property. No principal payments are due until maturity.	45,994	45,994
Promissory note payable to the Barnstable Housing Authority, with 0% stated interest rate, due October 2016, secured by real property. No principal payments are due until maturity.	30,000	30,000
	25,871,014	26,708,308
Less current portion	871,984	837,300
	<u>\$ 24,999,030</u>	<u>\$ 25,871,008</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 11 - Long-term debt - Continued

Aggregate annual maturities of long-term debt are as follows:

2017	\$	871,984
2018		905,239
2019		939,795
2020		973,287
2021		1,012,922
Thereafter		<u>21,167,787</u>
	\$	<u>25,871,014</u>

Note 12 - Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2026. Included in occupancy expense is rental expense of \$3,947,389 and \$3,806,073 for the years ended June 30, 2016 and 2015, respectively. The Organization collects rent from tenants that live in the space that the Organization leases. The Organization recognized sublease income for the years ended June 30, 2016 and 2015, of approximately \$30,000 and \$7,000, respectively.

The Organization leases motor vehicles under operating leases expiring at various dates through fiscal year 2021. Included in transportation expense is rental expense of \$773,000 and \$937,000 for the years ended June 30, 2016 and 2015, respectively.

The Organization leases numerous copiers under operating leases expiring at various dates through fiscal year 2019. Included in occupancy expense is rental expense of \$162,000 and \$181,000 for the years ended June 30, 2016 and 2015, respectively.

The Organization leases pieces of office and other equipment under operating leases expiring at various dates through fiscal year 2017. Included in occupancy expense are lease and rental expenses of \$14,000 and \$15,000 for the years ended June 30, 2016 and 2015, respectively.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 12 - Operating Leases - Continued

The following is a schedule of future minimum payments under non-cancelable lease agreements which have remaining terms in excess of one year as of June 30:

2017	\$ 4,464,790
2018	2,535,750
2019	1,976,972
2020	1,464,143
2021	1,011,189
Thereafter	<u>1,730,995</u>
	<u>\$ 13,183,839</u>

Note 13 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Capital advances from HUD	\$ 1,330,800	\$ 1,330,800
Services to children and families	233,411	185,778
Program equipment	35,000	35,245
Trustee awards at the discretion of Board members	<u>25,321</u>	<u>24,076</u>
	<u>\$ 1,624,532</u>	<u>\$ 1,575,899</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 13 - Temporarily and Permanently Restricted Net Assets - Continued

Under the terms of the HUD capital advance program, no repayment of principal is required so long as the residences are occupied for no less than 40 years by very low-income persons with disabilities. If, for any reason, the capital advance is not continued to be used for the specific purpose, repayment of principal and interest will be required.

Net assets released from restriction were released for the following purposes for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Services to children and families	\$ 123,607	\$ 255,134
Program equipment	35,245	30,000
Trustee awards at the discretion of Board members	<u>4,000</u>	<u>5,691</u>
	<u>\$ 162,852</u>	<u>\$ 290,825</u>

Permanently restricted net assets totaling \$1,000 consist of cash to be held in perpetuity. The earnings on the investment of the cash are expendable to support the operations of the Organization.

Note 14 - Retirement Plans

The Organization maintains a tax deferred annuity plan, as described in Internal Revenue Code Section 403(b), covering all eligible employees beginning on their date of hire. The plan allows the Organization to make matching contributions, as set forth in the plan, subject to IRS limitations. Effective September 1, 2010, the plan was amended to include eligibility thresholds and elective deferral timing. The Organization recognized an expense of \$523,168 and \$518,354 related to the plan for the years ended June 30, 2016 and 2015, respectively.

The Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(b). The Organization contributed \$100,042 and \$93,799 to the plan during the years ended June 30, 2016 and 2015, respectively.

The Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(f). The Organization contributed \$42,000 and \$42,500 to the plan during the years ended June 30, 2016 and 2015, respectively.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements - Continued

Note 15 - Surplus Revenue Retention

The Operational Services Division of the Commonwealth of Massachusetts (the “Commonwealth”) has promulgated regulations requiring that all not-for-profit entities engaged in the provision of health and social service programs by contract with state agencies be subject to a revenue retention policy. For years ended June 30, 2015 and prior, any surplus generated from contracts with the Commonwealth which exceeded 5% of the current year’s Commonwealth revenues or cumulative surplus which exceeded 20% of prior year Commonwealth revenues were subject to negotiated use or potential recoupment. Additionally, the Commonwealth required that providers take steps to segregate state attributed surpluses which fall below 5% as a segregated account, which is presented in unrestricted net assets. For the year ended June 30, 2016, the Commonwealth amended the revenue retention policy to remove the 5% current year surplus threshold and 20% cumulative surplus threshold. Under the amended regulation, any annual surplus generated from contracts with the Commonwealth which exceeds 20% will be subject to potential recoupment.

As of June 30, 2016 and 2015, the Organization is not subject to any recoupment under the provisions of the Commonwealth’s Surplus Revenue Retention regulations.

Note 16 - Commitments and Contingencies

The human service industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity is ongoing with respect to investigations and allegations concerning possible violations by providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for program services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in substantial compliance with current laws and regulations.

Claims and legal actions are brought against the Organization during the normal course of business. Management has taken the necessary steps to mitigate potential losses by obtaining insurance coverage and engaging legal counsel. In the opinion of management, no claims or legal actions have been asserted against the Organization which, individually or in the aggregate, will be in excess of its insurance coverage.

The Organization has an employment agreement with its current CEO which automatically renews for successive one-year periods. The agreement calls for an annual base salary and other business terms common in this sector.

THE MAY INSTITUTE, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Supportive Housing for Persons with Disabilities - Section 811 Capital Advances	14.181	N/A	\$ 1,330,800
Supportive Housing for Persons with Disabilities - Section 811 Rental Assistance	14.181	N/A	72,818
Total U.S. Department of Housing and Urban Development			<u>1,403,618</u>
<u>U.S. Department of Justice</u>			
Passed Through the Commonwealth of Massachusetts: Massachusetts Office for Victim Assistance: Crime Victim Assistance	16.575	0840-0110	<u>209,463</u>
<u>U.S. Department of Agriculture</u>			
Passed Through the Commonwealth of Massachusetts: Department of Education: National School Lunch Program	10.555	7053-2112	161,401
Child and Adult Care Food Program	10.558	7053-2117	15,343
Total U.S. Department of Agriculture			<u>176,744</u>
<u>U.S. Department of Education</u>			
Passed Through the University of Oregon: Special Education and Rehabilitative Services: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	H326S130004	42,500
Passed Through the Commonwealth of Massachusetts: Department of Public Health: Early Intervention Services (IDEA)	84.181	4513-9021	<u>9,152</u>
Total Expenditures of Federal Awards			<u>\$ 1,841,477</u>

The accompanying notes are an integral part of this schedule.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The May Institute, Inc. and Affiliates under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The May Institute, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets or cash flows of the May Institute, Inc. and Affiliates.

The reimbursement of indirect costs reflected in the accompanying financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the May Institute, Inc. and Affiliates' financial position or change in net assets.

The May Institute, Inc. and Affiliates had no federally funded insurance programs or loan guarantees during the year ended June 30, 2016.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The May Institute, Inc. and Affiliates have elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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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 May Institute, Inc. and Affiliates
Randolph, Massachusetts

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 May Institute, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The May Institute, Inc. and Affiliates' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The May Institute, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of The May Institute, Inc. and Affiliates' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the May Institute, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

November 15, 2016



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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
The May Institute, Inc. and Affiliates
Randolph, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited The May Institute, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The May Institute, Inc. and Affiliates' major federal programs for the year ended June 30, 2016. The May Institute, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The May Institute, Inc. and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The May Institute, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The May Institute, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, The May Institute, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of The May Institute, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The May Institute, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The May Institute, Inc. and Affiliates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

November 15, 2016

THE MAY INSTITUTE, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	No

Identification of major federal programs:

CFDA #
14.181

Name of Program
Supportive Housing for Persons With
Disabilities (Section 811)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

THE MAY INSTITUTE, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs - Continued

For the year ended June 30, 2016

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

SUPPLEMENTARY INFORMATION

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2016

	The May Institute, Inc.	Greater Springfield Residences, Inc.	The May-West Roxbury Residences, Inc.	The Bay School	National Autism Center	Eliminations	Total
<u>Assets</u>							
Current assets:							
Cash and cash equivalents	\$ 1,481,188	\$ 59,053	\$ 35,376	\$ 228,724	\$ 1,297	\$ -	\$ 1,805,638
Custodial funds	439,524	-	-	-	-	-	439,524
Escrow deposits	-	47,499	91,530	-	-	-	139,029
Accounts receivable, net	10,360,648	4,672	-	727,370	-	-	11,092,690
Pledges receivable, net	93,420	-	-	-	92,775	-	186,195
Due from affiliates	614,370	-	-	1,514,230	116,720	(2,245,320)	-
Prepaid expenses	243,018	-	-	21,063	-	-	264,081
Investments	6,920,728	-	-	-	-	-	6,920,728
Total current assets	<u>20,152,896</u>	<u>111,224</u>	<u>126,906</u>	<u>2,491,387</u>	<u>210,792</u>	<u>(2,245,320)</u>	<u>20,847,885</u>
Assets whose use is limited or restricted -							
Board designated investments	<u>833,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>833,800</u>
Property, plant and equipment, net	<u>30,684,142</u>	<u>494,895</u>	<u>1,089,684</u>	<u>105,678</u>	<u>-</u>	<u>(158,871)</u>	<u>32,215,528</u>
Other assets:							
Deposits	387,709	-	-	27,360	-	-	415,069
Deferred financing costs, net	353,104	-	-	-	-	-	353,104
Other assets	489,375	-	-	-	-	-	489,375
Total other assets	<u>1,230,188</u>	<u>-</u>	<u>-</u>	<u>27,360</u>	<u>-</u>	<u>-</u>	<u>1,257,548</u>
Total assets	<u>\$ 52,901,026</u>	<u>\$ 606,119</u>	<u>\$ 1,216,590</u>	<u>\$ 2,624,425</u>	<u>\$ 210,792</u>	<u>\$ (2,404,191)</u>	<u>\$ 55,154,761</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidating Statement of Financial Position - Continued

June 30, 2016

	The May Institute, Inc.	Greater Springfield Residences, Inc.	The May-West Roxbury Residences, Inc.	The Bay School	National Autism Center	Eliminations	Total
<u>Liabilities and Net Assets</u>							
Current Liabilities:							
Note payable, line of credit	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Current maturities of long-term debt	871,984	-	-	-	-	-	871,984
Accounts payable	1,254,247	612	3,592	39,497	-	-	1,297,948
Due to affiliates	1,630,947	237,269	366,833	824	9,447	(2,245,320)	-
Accrued expenses	3,032,421	2,657	1,660	102,415	-	-	3,139,153
Other current liabilities	120,320	-	-	-	-	-	120,320
Total current liabilities	<u>7,659,919</u>	<u>240,538</u>	<u>372,085</u>	<u>142,736</u>	<u>9,447</u>	<u>(2,245,320)</u>	<u>6,179,405</u>
Long-term debt, net of current maturities	24,358,183	263,901	376,946	-	-	-	24,999,030
Other liabilities	543,006	-	-	-	-	-	543,006
Total liabilities	<u>32,561,108</u>	<u>504,439</u>	<u>749,031</u>	<u>142,736</u>	<u>9,447</u>	<u>(2,245,320)</u>	<u>31,721,441</u>
Net assets (deficit):							
Unrestricted	20,154,310	(514,320)	(247,241)	2,481,689	92,221	(158,871)	21,807,788
Temporarily restricted	184,608	616,000	714,800	-	109,124	-	1,624,532
Permanently restricted	1,000	-	-	-	-	-	1,000
Total net assets (deficit)	<u>20,339,918</u>	<u>101,680</u>	<u>467,559</u>	<u>2,481,689</u>	<u>201,345</u>	<u>(158,871)</u>	<u>23,433,320</u>
Total liabilities and net assets	<u>\$ 52,901,026</u>	<u>\$ 606,119</u>	<u>\$ 1,216,590</u>	<u>\$ 2,624,425</u>	<u>\$ 210,792</u>	<u>\$ (2,404,191)</u>	<u>\$ 55,154,761</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidating Statement of Activities

For the year ended June 30, 2016

	The May Institute, Inc.	Greater Springfield Residences, Inc.	The May-West Roxbury Residences, Inc.	The Bay School	National Autism Center	Eliminations	Total
Revenues, other support, gains and losses:							
Tuition	\$ 36,443,318	\$ -	\$ -	\$ 4,426,540	\$ -	\$ -	\$ 40,869,858
Contract revenue	50,390,667	-	-	-	-	-	50,390,667
Consulting and management services	3,725,009	31,649	41,169	-	-	(700,515)	3,097,312
Third-party fees	15,430,890	-	-	-	-	-	15,430,890
Consumer revenue	3,492,105	29,077	22,590	57,972	-	-	3,601,744
Other program revenue	670,823	-	-	128,641	-	-	799,464
Contributions, grants and subsidies	564,936	-	-	31,401	89,581	(797)	685,121
Interest income	249,687	23	39	-	-	-	249,749
Net loss on investment activity	(167,710)	-	-	-	-	-	(167,710)
Loss on sale of equipment	-	-	-	-	-	-	-
Other sources	174,205	-	-	117	5,778	6,141	186,241
Total revenues, other support, gains and losses	110,973,930	60,749	63,798	4,644,671	95,359	(695,171)	115,143,336
Expenses:							
The May Institute, Inc. program services:							
Educational Services	33,451,156	-	-	-	-	-	33,451,156
Adult Residential and Day Services	50,932,527	-	-	-	-	-	50,932,527
Consulting and Home Based Services	9,321,102	-	-	-	-	-	9,321,102
Behavioral Health Services	2,339,952	-	-	-	-	-	2,339,952
Other programs	1,273,134	-	-	-	-	-	1,273,134
The Bay School Program Services	100,711	-	-	4,188,651	-	(100,711)	4,188,651
National Autism Center, Inc. Program Services	48,157	-	-	-	65,229	(48,157)	65,229
Greater Springfield Residences, Inc. Program Services	19,924	91,913	-	-	-	(19,924)	91,913
The May - West Roxbury Residences, Inc. Program Services	8,235	-	83,128	-	-	(8,235)	83,128
Total program service expenses	97,494,898	91,913	83,128	4,188,651	65,229	(177,027)	101,746,792
Management and general	11,714,128	10,744	9,726	490,042	7,632	(518,144)	11,714,128
Fundraising	626,438	-	-	-	-	-	626,438
Total expenses	109,835,464	102,657	92,854	4,678,693	72,861	(695,171)	114,087,358
Change in net assets	1,138,466	(41,908)	(29,056)	(34,022)	22,498	-	1,055,978
Net assets at beginning of the year	19,201,452	143,588	496,615	2,515,711	178,847	(158,871)	22,377,342
Net assets at the end of the year	\$ 20,339,918	\$ 101,680	\$ 467,559	\$ 2,481,689	\$ 201,345	\$ (158,871)	\$ 23,433,320