

The May Institute, Inc. and Affiliates

**Consolidated Financial Statements,
Supplementary Information and
Supplemental Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2017**

The May Institute, Inc. and Affiliates

Consolidated Financial Statements, Supplementary Information and
Supplemental Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

The May Institute, Inc. and Affiliates

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Independent Auditor's Report

To the Board of Trustees
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, 2017, 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.

Management's Responsibility for the 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.

Opinion

In our opinion, the 2017 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, 2017, 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

We have previously audited the consolidated financial statements of The May Institute, Inc. and Affiliates as of and for the year ended June 30, 2016, and our report, dated November 15, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 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 basic 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 basic consolidated financial statements or to the basic 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 December 18, 2017, 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

December 18, 2017

Consolidated Financial Statements

The May Institute, Inc. and Affiliates
Consolidated Statement of Financial Position

<i>June 30,</i>	2017	2016	<i>June 30,</i>	2017	2016
		(Comparative)			(Comparative)
Assets			Liabilities and Net Assets		
Current Assets:			Current Liabilities:		
Cash and cash equivalents	\$ 1,028,903	\$ 1,805,638	Note payable, line of credit	\$ -	\$ 750,000
Custodial funds	540,083	439,524	Current maturities of long-term debt	951,247	871,984
Escrow deposits	144,834	139,029	Accounts payable	2,054,267	1,297,948
Accounts receivable, net	13,355,085	11,092,690	Accrued expenses	3,901,184	3,139,153
Pledges receivable, net	134,661	186,195	Other current liabilities	40,553	120,320
Prepaid expenses	580,255	264,081			
Investments	7,522,442	6,920,728	Total Current Liabilities	6,947,251	6,179,405
Total Current Assets	23,306,263	20,847,885			
Assets Whose Use is Limited or Restricted:			Long-Term Debt,		
Board designated investments	903,750	833,800	net of current maturities and deferred financing costs	23,682,836	24,645,926
			Other liabilities	978,138	543,006
Property, Plant and Equipment, net	31,567,835	32,215,528	Total Liabilities	31,608,225	31,368,337
Other Assets:			Commitments and Contingencies		
Deposits	487,786	415,069	Net Assets:		
Other assets	761,477	489,375	Unrestricted	23,868,764	21,807,788
			Temporarily restricted	1,549,122	1,624,532
Total Other Assets	1,249,263	904,444	Permanently restricted	1,000	1,000
			Total Net Assets	25,418,886	23,433,320
Total Assets	\$ 57,027,111	\$ 54,801,657	Total Liabilities and Net Assets	\$ 57,027,111	\$ 54,801,657

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates

Consolidated Statement of Activities

Year ended June 30,	2017			2016 Totals (Comparative)
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Other Support, Gains and Losses:				
Tuition	\$ 49,205,704	\$ -	\$ -	\$ 49,205,704
Contract revenue	49,781,601	-	-	49,781,601
Consulting and management services	3,122,504	-	-	3,122,504
Third-party fees	14,754,842	-	-	14,754,842
Consumer revenue	3,627,634	-	-	3,627,634
Other program revenue	1,008,591	-	-	1,008,591
Contributions, grants and subsidies	419,765	182,966	-	602,731
Interest income	214,863	-	-	214,863
Net gain (loss) on investment activity	457,665	-	-	457,665
Loss on sale of equipment	(2,570)	-	-	(2,570)
Other sources	357,069	-	-	357,069
Net assets released from restrictions	258,376	(258,376)	-	-
Total Revenues, Other Support, Gains and Losses	123,206,044	(75,410)	-	123,130,634
Expenses:				
The May Institute, Inc. program services:				
Educational Services	36,720,268	-	-	36,720,268
Adult Residential and Day Services	53,064,214	-	-	53,064,214
Home, School & Center Based Services	10,371,904	-	-	10,371,904
Behavioral Health Services	1,674,948	-	-	1,674,948
Other programs	1,954,248	-	-	1,954,248
Bay School Program Services	4,404,156	-	-	4,404,156
National Autism Center, Inc. Program Services	66,486	-	-	66,486
Greater Springfield Residences, Inc. Program Services	97,195	-	-	97,195
May - West Roxbury Residences, Inc. Program Services	75,415	-	-	75,415
Total program service expenses	108,428,834	-	-	108,428,834
Management and general	12,112,311	-	-	12,112,311
Fundraising	603,923	-	-	603,923
Total Expenses	121,145,068	-	-	121,145,068
Change in Net Assets	2,060,976	(75,410)	-	1,985,566
Net Assets, beginning of the year	21,807,788	1,624,532	1,000	23,433,320
Net Assets, end of the year	\$ 23,868,764	\$ 1,549,122	\$ 1,000	\$ 25,418,886

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates
Consolidated Statement of Functional Expenses

<i>Year ended June 30, 2017 (with Comparative Totals for the year ended June 30, 2016)</i>	Educational Services	Adult Residential and Day Services	Home, School & Center Based Services	Behavioral Health Services	Other Programs	Bay School	National Autism Center
Salaries and wages	\$ 25,662,502	\$ 34,866,838	\$ 7,527,500	\$ 1,128,116	\$ 1,194,844	\$ 2,487,228	\$ 4,095
Employee benefits and payroll taxes	4,961,562	7,180,416	1,394,120	218,105	216,409	644,532	818
Professional fees and contracted services	460,997	751,996	166,755	23,316	32,530	342,802	-
Occupancy	2,482,488	5,141,514	267,356	211,565	303,790	615,945	15,127
Supplies	635,333	897,968	122,842	14,076	37,962	50,372	466
Transportation	367,347	1,695,041	374,390	29,555	66,063	157,515	-
Dietary expense	613,275	1,161,744	14,587	5,574	2,866	11,316	-
Interest expense	372,944	263,906	19,593	2,103	16,453	-	2,906
Depreciation and amortization	687,036	517,958	75,700	4,165	35,721	33,093	27,112
Other	476,784	586,833	409,061	38,373	47,610	61,353	15,962
	\$ 36,720,268	\$ 53,064,214	\$ 10,371,904	\$ 1,674,948	\$ 1,954,248	\$ 4,404,156	\$ 66,486

	Greater Springfield Residences Inc.	May-West Roxbury Residences, Inc.	Total Program Services	Support Services Management and General	Fundraising	2017 Total Expenses	2016 Total Expenses
Salaries and wages	\$ 11,482	\$ 6,999	\$ 72,889,604	\$ 6,604,939	\$ 351,122	\$ 79,845,665	\$ 74,720,333
Employee benefits and payroll taxes	3,770	2,298	14,622,030	1,465,204	58,612	16,145,846	15,510,525
Professional fees and contracted services	8,832	8,254	1,795,482	1,096,896	3,160	2,895,538	2,661,870
Occupancy	49,332	27,983	9,115,100	624,164	2,210	9,741,474	9,100,650
Supplies	-	-	1,759,019	257,834	39,583	2,056,436	1,953,671
Transportation	-	-	2,689,911	463,969	2,155	3,156,035	3,013,141
Dietary expense	-	-	1,809,362	49,222	705	1,859,289	1,801,432
Interest expense	-	-	677,905	383,447	-	1,061,352	1,123,028
Depreciation and amortization	23,724	29,426	1,433,935	444,755	2,001	1,880,691	1,977,071
Other	55	455	1,636,486	721,881	144,375	2,502,742	2,225,637
	\$ 97,195	\$ 75,415	\$ 108,428,834	\$ 12,112,311	\$ 603,923	\$ 121,145,068	\$ 114,087,358

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates

Consolidated Statements of Cash Flows

<i>Year ended June 30,</i>	2017	2016
		(Comparative)
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,985,566	\$ 1,055,978
Adjustments to reconcile change in net assets to net cash provided by operations:		
Depreciation and amortization	1,880,691	1,977,071
Provision for uncollectible accounts	747,117	353,184
Net realized and unrealized (gain) loss on investments	(457,665)	167,710
Loss on sale of property, plant and equipment	2,570	-
Discharge of mortgage	(30,000)	-
Increase (decrease) in cash resulting from a change in:		
Custodial funds	(100,559)	(38,280)
Accounts receivable	(3,009,512)	(2,138,921)
Pledges receivable	51,534	(2,820)
Prepaid expenses	(316,174)	(12,730)
Deposits	(72,717)	(7,624)
Other assets	(272,102)	18,559
Accounts payable	756,319	(770,538)
Accrued expenses	762,031	297,432
Other current liabilities	(79,767)	85,149
Other liabilities	435,132	35,072
Net Cash Provided by Operating Activities	2,282,464	1,019,242
Cash Flows from Investing Activities:		
Purchases of property, plant and equipment	(1,217,413)	(373,465)
Purchases of investments	(144,049)	(242,855)
Payment of escrow deposits	(5,805)	(24,729)
Increase in board designated investments	(69,950)	(6,078)
Net Cash Used in Investing Activities	(1,437,217)	(647,127)
Cash Flows from Financing Activities:		
Payments on line of credit	(750,000)	(250,000)
Repayments of long-term debt	(871,982)	(837,294)
Net Cash Used in Financing Activities	(1,621,982)	(1,087,294)
Net Decrease in Cash and Cash Equivalents	(776,735)	(715,179)
Cash and Cash Equivalents, beginning of year	1,805,638	2,520,817
Cash and Cash Equivalents, end of year	\$ 1,028,903	\$ 1,805,638
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,061,352	\$ 1,123,028

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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. Effective June 30, 2017, the Organization ceased the operation of behavioral health clinics.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The consolidated financial statements include the accounts of The May Institute, Inc. (“May”); Greater Springfield Residences, Inc.; May-West Roxbury Residences, Inc.; 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.

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 Trustees for the general purposes of the Organization and include amounts designated by the Board of Trustees 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.

Comparative Financial Information

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, 2016, from which the summarized information was derived.

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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.

Fair Value of Financial Instruments

The Organization determines the fair value of the financial instruments and includes this information in the notes to the consolidated 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.

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Notes to Consolidated Financial Statements

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 and presented under the long-term debt line in the consolidated statement of financial position per the requirements of *ASU 2015-03 Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*.

Assets Whose Use Is Limited or Restricted

Assets whose use is limited or restricted include assets set aside by the Board of Trustees 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.

Property and Equipment

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment, with a useful life greater than one year, at cost. Routine repairs and maintenance are expensed as incurred. Contributed property and equipment are 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:

<i>Assets</i>	<i>Useful Lives</i>
Building and improvements	20 - 40 years
Furnishings and equipment	3 - 10 years
Motor Vehicles	5 years

Leasehold improvements are depreciated over the shorter of the lease term or the useful life of the asset.

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,

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Notes to Consolidated Financial Statements

an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2017, 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 consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated 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.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

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Notes to Consolidated Financial Statements

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 consolidated 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 2014 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, 2017 and 2016, there were no interest or penalties recorded or included in the consolidated statement of activities.

Reclassification

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format.

New Accounting Pronouncements

Revenue From Contracts With Customers (Topic 606)

The presentation and disclosure requirements in Topic 605, Revenue Recognition, below have been superseded by the amendments in ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as subsequently amended, which is effective on a retrospective basis for public business entities, not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and employee benefit plans that file or furnish financial statements with or to the Securities and Exchange Commission, for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

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Notes to Consolidated Financial Statements

For all other entities, the requirements are effective on a retrospective basis for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. However, all such other entities may elect early adoption only as of either: (a) an annual reporting period beginning after December 15, 2016, including interim reporting periods within that reporting period; or (b) an annual reporting period beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which an entity first applies ASU No. 2014-09, as subsequently amended. Thereafter, the presentation and disclosure requirements in Topic 606, Revenue from Contracts with Customers, below should be followed. The Organization is deemed to be a conduit bond obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017.

Leases (Topic 842)

The presentation and disclosure requirements in ASC Topic 840, Leases have been superseded by the amendments in ASU No. 2016-02, Leases (Topic 842), which is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years for: (a) public business entities, (b) not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (c) employee benefit plans that file or furnish financial statements with or to the Securities and Exchange Commission. For all other entities, the requirements are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Thereafter, the presentation and disclosure requirements in ASC Topic 842, Leases, below should be followed. Early adoption is permitted. The Organization is deemed to be a conduit bond obligor since its bond is held by the public and, therefore, has an effective date for annual reporting periods beginning after December 15, 2017.

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, “Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities.” The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization’s consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

Subsequent Events

The Organization has evaluated subsequent events through December 18, 2017, which is the date the consolidated financial statements were available for issuance.

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, 2017 and 2016, the Organization had approximately \$1,900,000 and \$2,300,000 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:

	2017	%	2016	%
Commonwealth of Massachusetts	\$5,222,768	37%	\$ 4,532,483	60%
City and town	5,074,891	36%	3,965,702	16%
Third-party	1,889,178	13%	1,887,206	14%
Commercial and other	858,238	6%	253,871	6%
Other states	851,831	6%	704,266	2%
Self-pay	196,823	1%	85,775	1%
Federal	160,350	1%	103,966	1%
	14,254,079	100%	11,533,269	100%
Less allowance for uncollectible accounts	898,994		440,579	
	\$13,355,085		\$ 11,092,690	

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, 2017, 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.

4. Escrow Deposits

Escrow deposits consisted of the following at June 30:

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

	2017	2016
HUD required escrow accounts	\$ 140,080	\$ 134,711
Tenant security deposits	4,754	4,318
	\$ 144,834	\$ 139,029

5. Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling \$33,665 and \$46,271 at June 30, 2017 and 2016, respectively. The gross pledges receivable balance of \$168,326 and \$232,466 as of June 30, 2017 and 2016, respectively, is expected to be collected within one year.

6. Investments and Assets Whose Use is Limited or Restricted

Investments and assets whose use is limited consisted of mutual funds totaling \$8,426,192 and \$7,754,528 at June 30, 2017 and 2016, respectively.

	2017	2016
Short-term investments	\$ 7,522,442	\$ 6,920,728
Board-designated funds	903,750	833,800
	\$ 8,426,192	\$ 7,754,528

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	Inputs to the valuation methodology include: <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.

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.

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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, 2017 and 2016.

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 Organization had no financial assets or financial liabilities that were measured at fair value on a nonrecurring basis for the years ended June 30, 2017 and 2016. In addition, there were no transfers between levels during the years ended June 30, 2017 and 2016.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value and assets whose use is limited as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments Included in:				
Mutual funds:				
Fixed income	\$ 3,375,117	\$ -	\$ -	\$ 3,375,117
Stock	4,699,437	-	-	4,699,437
Cash reserves	351,638	-	-	351,638
Total Mutual Funds	\$ 8,426,192	\$ -	\$ -	\$ 8,426,192

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value and assets whose use is limited 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	\$ 7,754,528	\$ -	\$ -	\$ 7,754,528

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

	2017	2016
Net realized gains	\$ 6,297	\$ 7,553
Net unrealized gains (losses)	451,368	(175,263)
	\$ 457,665	\$ (167,710)

8. Endowment

The Organization's endowment includes funds designated by the Board of Trustees 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 Trustees 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 Trustees 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 Trustees 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.

9. Property and Equipment, Net

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

	2017	2016
Building and improvements	\$ 35,484,883	\$ 35,073,102
Land	9,699,785	9,409,899
Equipment	4,601,302	3,972,035
Leasehold improvements	2,919,820	2,822,143
Furniture and fixtures	1,107,835	1,020,705
Construction in progress	137,622	28,230
Motor vehicles	24,948	325,648
	53,976,196	52,651,762
Less accumulated depreciation and amortization	22,408,361	20,436,234
	\$ 31,567,835	\$ 32,215,528

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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, 2018. Drawings on the line of credit carry interest at the bank's prime rate, which was 4.25% and 3.50% at June 30, 2017 and 2016, respectively. The outstanding borrowings are \$-0- and \$750,000 at June 30, 2017 and 2016, respectively.

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 \$14,042,956 and \$14,375,694 at June 30, 2017 and 2016, 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 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.

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, 2016, 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 \$10,166,678 and \$10,705,922 at June 30, 2017 and 2016, 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, 2017 and 2016.

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The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

	2017	2016
MDFA 2010 Series Bond	\$ 14,042,956	\$ 14,375,694
MDFA 2012 Series B Bond	10,166,678	10,705,922
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
	24,969,032	25,871,014
Less current portion	951,247	871,984
Less deferred financing costs	334,949	353,104
	\$ 23,682,836	\$ 24,645,926

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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

Years ending June 30,

2018	\$ 951,247
2019	939,795
2020	973,287
2021	1,012,922
2022	1,051,702
Thereafter	20,040,079
	<hr/>
	\$ 24,969,032

12. Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2026. Included in occupancy expense is rental expense of \$4,294,694 and \$3,947,389 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, of approximately \$30,000 and \$30,000, 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 \$816,000 and \$773,000 for the years ended June 30, 2017 and 2016, 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 \$136,000 and \$162,000 for the years ended June 30, 2017 and 2016, 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 \$19,000 and \$14,000 for the years ended June 30, 2017 and 2016, respectively.

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:

Years ending June 30,

2018	\$ 4,868,194
2019	3,400,747
2020	2,897,089
2021	2,193,922
2022	1,308,635
Thereafter	3,340,546
	<hr/>
	\$ 18,009,133

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

13. Temporarily and Permanently Restricted Net Assets

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

	2017	2016
Capital advances from HUD	\$ 1,330,800	\$ 1,330,800
Services to children and families	167,176	233,411
Facilities rent	20,000	-
Program equipment	-	35,000
Trustee awards at the discretion of Board members	31,146	25,321
	\$ 1,549,122	\$ 1,624,532

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:

	2017	2016
Services to children and families	\$ 223,376	\$ 123,607
Program equipment	35,000	35,245
Trustee awards at the discretion of Board members	-	4,000
	\$ 258,376	\$ 162,852

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.

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 \$713,962 and \$678,307 related to the plan for the years ended June 30, 2017 and 2016, 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 \$89,053 and \$100,042 to the plan during the years ended June 30, 2017 and 2016, respectively.

The May Institute, Inc. and Affiliates

Notes to Consolidated Financial Statements

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 \$42,000 to the plan during the years ended June 30, 2017 and 2016, respectively.

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's 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, 2017 and 2016, the Organization is not subject to any recoupment under the provisions of the Commonwealth's Surplus Revenue Retention regulations. The state-attributed surplus was \$2,409,303 for the year ended June 30, 2017.

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, 2017

Federal Grantor/Pass-Through Grantor/Program Cluster Title	Federal CFDA #	Pass-Through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
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	-	71,621
Total U.S. Department of Housing and Urban Development				- 1,402,421
U.S. Department of Justice:				
Passed Through the Commonwealth of Massachusetts:				
Massachusetts Office for Victim Assistance:				
Crime Victim Assistance	16.575	0840-0110	-	218,833
U.S. Department of Agriculture:				
Passed Through the Commonwealth of Massachusetts:				
Department of Education:				
National School Lunch Program	10.555	7053-2112	-	192,888
U.S. Department of Education:				
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	-	62,500
Passed Through the Commonwealth of Massachusetts:				
Department of Public Health:				
Early Intervention Services (IDEA)	84.181	4513-9021	-	8,386
Total Expenditures of Federal Awards				- \$ 1,885,028

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The May Institute, Inc. and Affiliates under programs of the federal government for the year ended June 30, 2017. 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.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The May Institute, Inc. and Affiliates have elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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 Trustees
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 consolidated financial statements of The May Institute, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2017, 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 December 18, 2017.

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

December 18, 2017



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 Trustees
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, 2017. 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, 2017.

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

December 18, 2017

The May Institute, Inc. and Affiliates

Schedule of Findings and Questioned Costs Year Ended June 30, 2017

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?
- Significant deficiencies identified?

No

None reported

Non-compliance material to financial statements noted?

No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified?
- Significant deficiencies identified?

No

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 Federal 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 Year Ended June 30, 2017

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were not findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

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

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. 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.

BDO USA, LLP

December 18, 2017

The May Institute, Inc. and Affiliates
Consolidating Statement of Financial Position

<i>June 30, 2017</i>	The May Institute, Inc.	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Bay School	National Autism Center	Eliminations	Total
Assets							
Current Assets:							
Cash and cash equivalents	\$ 665,668	\$ 36,815	\$ 31,233	\$ 220,945	\$ 74,242	\$ -	\$ 1,028,903
Custodial funds	540,083	-	-	-	-	-	540,083
Escrow deposits	-	50,361	94,473	-	-	-	144,834
Accounts receivable, net	12,440,046	15,428	-	899,611	-	-	13,355,085
Pledges receivable, net	69,443	-	-	-	65,218	-	134,661
Due from affiliates	747,789	-	-	1,776,543	116,721	(2,641,053)	-
Prepaid expenses	541,879	-	-	38,376	-	-	580,255
Investments	7,522,442	-	-	-	-	-	7,522,442
Total Current Assets	22,527,350	102,604	125,706	2,935,475	256,181	(2,641,053)	23,306,263
Assets Whose Use is Limited or Restricted:							
Board designated investments	903,750	-	-	-	-	-	903,750
Property, Plant and Equipment, net	30,065,136	471,171	1,066,353	124,046	-	(158,871)	31,567,835
Other Assets							
Deposits	460,426	-	-	27,360	-	-	487,786
Other assets	761,477	-	-	-	-	-	761,477
Total Other Assets	1,221,903	-	-	27,360	-	-	1,249,263
Total Assets	\$ 54,718,139	\$ 573,775	\$ 1,192,059	\$ 3,086,881	\$ 256,181	\$ (2,799,924)	\$ 57,027,111

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates
Consolidating Statement of Financial Position

<i>June 30, 2017</i>	The May Institute, Inc.	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Bay School	National Autism Center	Eliminations	Total
Liabilities and Net Assets							
Current Liabilities:							
Note payable, line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current maturities of long-term debt	951,247	-	-	-	-	-	951,247
Accounts payable	1,984,923	3,348	988	65,008	-	-	2,054,267
Due to affiliates	1,893,263	247,878	367,045	55,763	77,104	(2,641,053)	-
Accrued expenses	3,754,797	2,874	1,956	141,557	-	-	3,901,184
Other current liabilities	40,553	-	-	-	-	-	40,553
Total Current Liabilities	8,624,783	254,100	369,989	262,328	77,104	(2,641,053)	6,947,251
Long-term debt, net of current maturities and deferred financing costs	23,041,989	263,901	376,946	-	-	-	23,682,836
Other liabilities	978,138	-	-	-	-	-	978,138
Total Liabilities	32,644,910	518,001	746,935	262,328	77,104	(2,641,053)	31,608,225
Net Assets (Deficit):							
Unrestricted	21,919,125	(560,226)	(269,676)	2,824,553	113,859	(158,871)	23,868,764
Temporarily restricted	153,104	616,000	714,800	-	65,218	-	1,549,122
Permanently restricted	1,000	-	-	-	-	-	1,000
Total Net Assets (Deficit)	22,073,229	55,774	445,124	2,824,553	179,077	(158,871)	25,418,886
Total Liabilities and Net Assets	\$ 54,718,139	\$ 573,775	\$ 1,192,059	\$ 3,086,881	\$ 256,181	\$ (2,799,924)	\$ 57,027,111

See accompanying notes to consolidated financial statements.

The May Institute, Inc. and Affiliates

Consolidating Statement of Activities

<i>Year ended June 30, 2017</i>	The May Institute, Inc.	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Bay School	National Autism Center	Eliminations	Total
Revenues, Other Support, Gains and Losses:							
Tuition	\$ 44,185,753	\$ -	\$ -	\$ 5,019,951	\$ -	\$ -	\$ 49,205,704
Contract revenue	49,781,601	-	-	-	-	-	49,781,601
Consulting and management services	3,790,443	32,619	39,002	-	-	(739,560)	3,122,504
Third-party fees	14,754,842	-	-	-	-	-	14,754,842
Consumer revenue	3,520,041	28,877	21,744	56,972	-	-	3,627,634
Other program revenue	867,925	-	-	140,666	-	-	1,008,591
Contributions, grants and subsidies	523,997	-	-	37,607	46,987	(5,860)	602,731
Interest income	214,794	23	46	-	-	-	214,863
Net gain on investment activity	457,665	-	-	-	-	-	457,665
Loss on sale of equipment	(2,570)	-	-	-	-	-	(2,570)
Other sources	346,454	-	-	27	4,640	5,948	357,069
Total Revenues, Other Support, Gains and Losses	118,440,945	61,519	60,792	5,255,223	51,627	(739,472)	123,130,634
Expenses:							
The May Institute, Inc. program services:							
Educational Services	36,720,268	-	-	-	-	-	36,720,268
Adult Residential and Day Services	53,064,214	-	-	-	-	-	53,064,214
Home, School & Center Based Services	10,371,904	-	-	-	-	-	10,371,904
Behavioral Health Services	1,674,948	-	-	-	-	-	1,674,948
Other programs	1,954,248	-	-	-	-	-	1,954,248
Bay School Program Services	121,256	-	-	4,404,156	-	(121,256)	4,404,156
National Autism Center, Inc. Program Services	53,348	-	-	-	66,486	(53,348)	66,486
Greater Springfield Residences, Inc. Program Services	19,155	97,195	-	-	-	(19,155)	97,195
May - West Roxbury Residences, Inc. Program Services	12,059	-	75,415	-	-	(12,059)	75,415
Total program service expenses	103,991,400	97,195	75,415	4,404,156	66,486	(205,818)	108,428,834
Management and general	12,112,311	10,230	7,812	508,203	7,409	(533,654)	12,112,311
Fundraising	603,923	-	-	-	-	-	603,923
Total Expenses	116,707,634	107,425	83,227	4,912,359	73,895	(739,472)	121,145,068
Change in Net Assets	1,733,311	(45,906)	(22,435)	342,864	(22,268)	-	1,985,566
Net Assets, beginning of the year	20,339,918	101,680	467,559	2,481,689	201,345	(158,871)	23,433,320
Net Assets, end of the year	\$ 22,073,229	\$ 55,774	\$ 445,124	\$ 2,824,553	\$ 179,077	\$ (158,871)	\$ 25,418,886

See accompanying notes to consolidated financial statements.