Consolidated Financial Statements, Supplemental Information and Reports Required Under Government Auditing Standards and the Uniform Guidance

The May Institute, Inc. and Affiliates

June 30, 2018 and 2017



Consolidated Financial Statements, Supplemental Information and Reports Required Under Government Auditing Standards and the Uniform Guidance

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Independent Auditors' Report

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 (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, 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.

Auditors' 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 auditors' 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 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated 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 (the "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.

2017 Financial Statements and Report on Summarized Comparative Information

The consolidated financial statements of The May Institute, Inc. and Affiliates as of and for the year ended June 30, 2017 were audited by other auditors whose report dated December 18, 2017 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, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

layer Hayeman McCann P.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

November 5, 2018 Boston, Massachusetts

Consolidated Statements of Financial Position

		June 30,				
		2018	2017			
Assets						
Current assets:						
Cash and cash equivalents	\$	4,358,067 \$	1,028,903			
Custodial funds		573,230	540,083			
Escrow deposits		150,430	144,834			
Accounts receivable, net		13,453,291	13,355,085			
Pledges receivable, net		128,985	134,661			
Prepaid expenses		242,109	580,255			
Investments	-	7,986,759	7,522,442			
Total current assets		26,892,871	23,306,263			
Assets whose use is limited or restricted:						
Board designated investments		960,178	903,750			
•						
Property, plant and equipment, net	_	30,741,801	31,567,835			
Other assets:						
Deposits		489,065	487,786			
Other assets	_	960,040	761,477			
Total other assets	_	1,449,105	1,249,263			
Total assets	\$_	60,043,955 \$	57,027,111			
Liabilities and Net Assets						
Current liabilities:						
Note payable, line of credit	\$	2,500,000 \$	_			
Current maturities of long-term debt	•	939,794	951,247			
Accounts payable		1,434,680	2,054,267			
Accrued expenses		4,022,370	3,901,184			
Other current liabilities	_	40,553	40,553			
Total current liabilities		8,937,397	6,947,251			
Long-term debt, net of current maturities		22,761,093	23,682,836			
Other liabilities		1,215,248	978,138			
	_	1,210,210	070,100			
Total liabilities	_	32,913,738	31,608,225			
Commitments and Contingencies						
Net assets:						
Unrestricted		25,681,424	23,868,764			
Temporarily restricted		1,447,793	1,549,122			
Permanently restricted	_	1,000	1,000			
Total net assets	_	27,130,217	25,418,886			
Total liabilities and net assets	\$ _	60,043,955 \$	57,027,111			

Consolidated Statement of Activities

Year Ended June 30, 2018 (With Summarized Financial Information for the Year Ended June 30, 2017)

		20	018	3			
		Temporarily		Permanently		-	2017
	Unrestricted	Restricted		Restricted	Total		Total
Revenues, other support, gains and losses:							
Tuition	\$ 51,835,784	\$ -	\$	- \$	51,835,784	\$	49,205,704
Contract revenue	51,206,513	-		-	51,206,513		49,781,601
Consulting and management services	2,205,042	-		-	2,205,042		3,122,504
Third-party fees	14,430,432	-		-	14,430,432		14,754,842
Consumer revenue	4,000,161	-		-	4,000,161		3,627,634
Other program revenue	882,667	-		-	882,667		1,008,591
Contributions, grants and subsidies	836,333	49,397		-	885,730		602,731
Interest income	249,526	-		-	249,526		214,863
Net gain on investment activity	270,098	-		-	270,098		457,665
Loss on sale of equipment	(1,756)	-		-	(1,756)		(2,570)
Other sources	252,698	-		-	252,698		357,069
Net assets released from restrictions	150,726	 (150,726)	-				<u> </u>
Total revenues, other support, gains and losses	126,318,224	 (101,329)	-		126,216,895		123,130,634
Expenses:							
The May Institute, Inc. program services:							
Educational Services	39,645,885	-		-	39,645,885		36,720,268
Adult Residential and Day Services	54,339,608	-		-	54,339,608		53,064,214
Home, School & Center Based Services	10,661,609	-		-	10,661,609		10,371,904
Behavioral Health Services	-	-		-	-		1,674,948
Other programs	1,806,168	_		_	1,806,168		1,954,248
Bay School Program Services	4,443,301	_		_	4,443,301		4,404,156
National Autism Center, Inc. Program Services	215,096	-		-	215,096		66,486
Greater Springfield Residences, Inc. Program Services	91,910	_		_	91,910		97,195
May-West Roxbury Residences, Inc. Program Services	83,796	 	-		83,796		75,415
Total program service expenses	111,287,373	-		-	111,287,373		108,428,834
Management and general	12,620,919	-		-	12,620,919		12,112,311
Fundraising	597,272	 -	-	-	597,272		603,923
Total expenses	124,505,564	 	_	<u>-</u>	124,505,564		121,145,068
Change in net assets	1,812,660	(101,329)		-	1,711,331		1,985,566
Net assets, beginning of the year	23,868,764	 1,549,122	_	1,000	25,418,886	_ ,	23,433,320
Net assets, end of the year	\$ 25,681,424	\$ 1,447,793	\$	1,000 \$	27,130,217	\$	25,418,886

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018 (With Summarized Financial Information for the Year Ended June 30, 2017)

		Educational Services	Adult Residential and Day Services	ı	Home, School & Center Based Services		Other Programs	Bay School		National Autism Center	Balance Forward
Salaries and wages	\$	27,549,588	35,562,781	\$	7,681,685	\$	1,251,700	\$ 2,482,045	\$	128,206 \$	74,656,005
Employee benefits and payroll taxes		5,531,673	7,754,426		1,712,313		233,602	680,430		28,256	15,940,700
Professional fees and contracted services		469,523	772,508		116,120		24,129	363,828		225	1,746,333
Occupancy		2,573,254	5,335,729		307,380		82,833	606,490		16,331	8,922,017
Supplies		729,397	860,836		136,736		14,383	60,096		657	1,802,105
Transportation		396,150	1,691,949		278,357		28,543	164,285		4,190	2,563,474
Dietary expense		617,235	1,180,687		16,141		1,788	12,275		12	1,828,138
Interest expense		360,783	253,395		19,041		17,578	-		2,753	653,550
Depreciation and amortization		763,176	510,594		48,601		35,840	38,851		27,203	1,424,265
Other	_	655,106	416,703		345,235	-	115,772	 35,001	_	7,263	1,575,080
	\$_	39,645,885	54,339,608	\$	10,661,609	\$_	1,806,168	\$ 4,443,301	\$_	215,096 \$	111,111,667

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018 (With Summarized Financial Information for the Year Ended June 30, 2017)

										Suppo	Services					
		Balance Forward	,	Greater Springfield Residences, Inc.		May-West Roxbury Residences, Inc.	Roxbury			Management and General		Fundraising		2018 Total Expenses		2017 Total Expenses
Salaries and wages	\$	74,656,005	\$	10,085	\$	6,715	\$	74,672,805	\$	7,248,195	\$	281,991	\$	82,202,991	\$	79,845,665
Employee benefits and payroll taxes		15,940,700		3,311		2,205		15,946,216		1,630,761		59,178		17,636,155		16,145,846
Professional fees and contracted services		1,746,333		10,745		8,609		1,765,687		1,057,159		1,654		2,824,500		2,895,538
Occupancy		8,922,017		43,990		36,424		9,002,431		616,328		3,031		9,621,790		9,741,474
Supplies		1,802,105		-		-		1,802,105		246,373		40,425		2,088,903		2,056,436
Transportation		2,563,474		-		-		2,563,474		467,137		874		3,031,485		3,156,035
Dietary expense		1,828,138		-		-		1,828,138		52,187		938		1,881,263		1,859,289
Interest expense		653,550		-		-		653,550		341,427		-		994,977		1,061,352
Depreciation and amortization		1,424,265		23,724		29,788		1,477,777		447,813		2,001		1,927,591		1,880,691
Other	_	1,575,080		55	_	55		1,575,190	_	513,539	-	207,180	_	2,295,909	_	2,502,742
	\$_	111,111,667	\$	91,910	\$	83,796	\$	111,287,373	\$	12,620,919	\$	597,272	\$_	124,505,564	\$_	121,145,068

Consolidated Statements of Cash Flows

	Years Ended June 30,				
		2018		2017	
Cash flows from operating activities:					
Change in net assets	\$	1,711,331	\$	1,985,566	
Adjustments to reconcile change in net assets					
to net cash provided by operating activities:					
Depreciation and amortization		1,927,591		1,880,691	
Provision for uncollectible accounts		481,563		747,117	
Net realized and unrealized gain on investments		(270,098)		(457,665)	
Loss on sale of property, plant and equipment		1,756		2,570	
Discharge of mortgage		(45,993)		(30,000)	
Increase (decrease) in cash resulting from a change in:		,		,	
Custodial funds		(33,147)		(100,559)	
Accounts receivable		(579,769)		(3,009,512)	
Pledges receivable		5,676		51,534	
Prepaid expenses		338,146		(316,174)	
Deposits		(1,279)		(72,717)	
Other assets		(198,563)		(272,102)	
Accounts payable		(619,587)		756,319	
Accrued expenses		121,186		762,031	
Other current liabilities		-		(79,767)	
Other liabilities	_	237,110	_	435,132	
Net cash provided by operating activities		3,075,923		2,282,464	
process of the contract of the	-		-	, , , ,	
Cash flows from investing activities:					
Purchases of property, plant and equipment		(1,085,158)		(1,217,413)	
Purchases of investments		(194,219)		(144,049)	
Payment of escrow deposits		(5,596)		(5,805)	
Increase in board designated investments	-	(56,428)	-	(69,950)	
Net cash used in investing activities	_	(1,341,401)	_	(1,437,217)	
Cook flows from financing activities					
Cash flows from financing activities: Advances on line of credit		2,500,000			
Payments on line of credit		2,300,000		(750,000)	
Repayments of long-term debt		(905,358)		(871,982)	
repayments of long-term debt	-	(900,000)	-	(071,902)	
Net cash provided by financing activities	-	1,594,642	-	(1,621,982)	
Net increase (decrease) in cash and cash equivalents		3,329,164		(776,735)	
Cash and cash equivalents, beginning of year	-	1,028,903	_	1,805,638	
Cash and cash equivalents, end of year	\$	4,358,067	\$	1,028,903	
Supplemental Disclosure of Cash Flow Information					
Supplemental Disclosure of Cash Flow Information: Cash paid during the year for interest	¢	994,977	Ф	1,061,352	
Sash paid during the year for interest	\$	JJ T ,JII	Ψ=	1,001,002	
				_	

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 operating more than 140 service locations across the country with concentration in Boston and Southeast, Massachusetts. Effective June 30, 2017, the Organization ceased the operation of behavioral health clinics.

Note 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.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2017, 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. Those estimates include, reserve for doubtful pledges receivables, provision for uncollectible accounts, useful lives of depreciable assets and losses on such assets not yet realized, functional allocation of expense and releases from donor restrictions.

Fair Value of Financial Instruments

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 are described below:

- 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:
 - 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.

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.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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, 2018 and 2017.

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.

U.S. Treasury securities: Valued using reported trades, broker/dealer quotes, bids, offers, and other data. These valuations are considered Level 1.

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, past collection history 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.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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. U.S. Treasury securities are valued using proprietary valuation models incorporating live data from active market makers and inter-dealer brokers as reported on electronic communication networks. All investments are included 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 on the straight-line basis.

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:

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•		•	_, ,	~~

Building and improvements	20 - 40 years
Furniture and fixtures	5 - 7 years
Equipment	3 - 10 years

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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 in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2018, 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. Revenue is recognized when services are provided. 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.

Notes to Consolidated Financial Statements

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 and Uncertain Tax Positions

The Organization including all affiliates 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.

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Organization has identified its tax status as a tax-exempt entity and its determination as to its income being related or unrelated as its only significant tax positions. However, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's Federal and state tax returns are generally open for examination for three years following the date filed.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassification

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format.

Subsequent Events

The Organization has evaluated subsequent events through November 5, 2018, which is the date the consolidated financial statements were authorized to be issued.

The Organization entered into an amended loan agreement with their existing Massachusetts-based bank on August 1, 2018. The amended loan agreement extends a new \$1,500,000 2018 Line of Credit Agreement to the Organization to be used to acquire real property in providing the same programs and services provided by the Organization. The line of credit expires on August 1, 2023. Drawings on the line of credit carry interest at the bank's prime rate.

Additionally, the amended loan agreement extends new Refinancing Term Notes of up to \$7,500,000 to the Organization. The Organization can re-finance any outstanding balance of the 2018 Line of Credit Note into a Refinancing Term Note. Such Refinancing Term Note shall have a term of 15 years, with the principal amortized over a 30-year period.

The total outstanding principal balance of the Line of Credit and the Refinancing Term Notes cannot exceed a total of \$7,500,000.

May International, LLC was also formed July 2018 as the Organization increases its work internationally.

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, 2018 and 2017, the Organization had approximately \$4,700,000 and \$1,300,000 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.

Notes to Consolidated Financial Statements

Note 3 - Concentration of Credit Risk (Continued)

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:

	-	2018		2017	
Commonwealth of Massachusetts	\$	5,226,008	37%	\$ 5,222,768	37%
City and town		5,226,771	37%	5,074,891	36%
Third-party		1,387,273	10%	1,889,178	13%
Commercial and other		608,343	5%	858,238	6%
Other states		1,145,990	8%	851,831	6%
Self-pay		267,113	2%	196,823	1%
Federal	_	185,100	1%	160,350	1%
		14,046,598	100%	14,254,079	100%
Less allowance for uncollectible accounts	_	593,307		898,994	
	\$_	13,453,291		\$ 13,355,085	

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, 2018 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.

Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

		2018		2017
HUD required escrow accounts Tenant security deposits	\$	145,454 4,976	\$	140,080 4,754
	\$ <u>_</u>	150,430	\$_	144,834

Notes to Consolidated Financial Statements

Note 5 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling \$26,242 and \$33,665 at June 30, 2018 and 2017, respectively. The gross pledges receivable balance of \$155,227 and \$168,326 as of June 30, 2018 and 2017, respectively, 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 and U.S Treasury securities totaling \$8,946,937 at June 30, 2018 and mutual funds totaling \$8,426,192 at June 30, 2017.

	\$ 8,946,937	\$ 8,426,192
Short-term investments Board-designated funds	\$ 7,986,759 960,178	\$ 7,522,442 903,750
	2018	2017

Note 7 - Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

		Level 1		Level 2		Level 3		Total
Investments included in:								
Mutual funds:								
Fixed income	\$	4,610,838	\$	-	\$	-	\$	4,610,838
Stock		3,258,942		-		-		3,258,942
Cash reserves	_	265,095		-		-	_	265,095
Total mutual funds	_	8,134,875	_		_	-	_	8,134,875
U.S. Treasury securities	_	812,062	_	-	_	-		812,062
Total investments	\$_	8,946,937	\$_	-	\$_	-	\$_	8,946,937

Notes to Consolidated Financial Statements

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, 2017:

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

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

	2018	2017
Net realized gains Net unrealized gains	\$ 245,852 24,246	\$ 6,297 451,368
	\$ 270,098	\$ 457,665

Note 8 - Endowment

The Organization's endowment includes both donor restricted endowment funds and 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.

Notes to Consolidated Financial Statements

Note 9 - Property and Equipment, Net

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

		2018	2017
Building and improvements	\$	35,938,409	\$ 35,484,884
Land		9,787,203	9,699,785
Equipment		4,677,916	4,601,302
Leasehold improvements		2,655,315	2,919,820
Furniture and fixtures		1,262,317	1,107,835
Construction in progress		203,903	137,622
Motor vehicles	_	24,948	 24,948
		54,550,011	53,976,196
Less accumulated depreciation and amortization	_	23,808,210	 22,408,361
	\$_	30,741,801	\$ 31,567,835

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 October 1, 2019. Drawings on the line of credit carry interest at the bank's prime rate, which was 5.0% and 4.25% at June 30, 2018 and 2017, respectively. The outstanding borrowings are \$2,500,000 and \$-0- at June 30, 2018 and 2017, respectively.

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. 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 entire bond series is financed through a private placement with a Massachusetts bank. The outstanding balance was \$13,694,785 and \$14,042,956 at June 30, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

Note 11 - Long-term Debt (Continued)

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. 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 \$9,609,493 and \$10,166,678 at June 30, 2018 and 2017, 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.

Notes to Consolidated Financial Statements

Note 11 - Long-term Debt (Continued)

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

		2018		2017
MDFA 2010 Series bond	\$	13,694,785	\$	14,042,956
MDFA 2012 Series B bond		9,609,493		10,166,678
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
Less current portion Less deferred financing costs, net	-	24,017,682 939,794 316,795		24,969,032 951,247 334,949
- -	\$	22,761,093	\$	23,682,836

Notes to Consolidated Financial Statements

Note 11 - Long-term Debt (Continued)

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

Years Ending June 30,

2019	\$ 939,794
2020	973,288
2021	1,012,922
2022	1,051,702
2023	1,092,007
Thereafter	18,947,969
	\$ 24,017,682

Note 12 - Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2032. Included in occupancy expense is rental expense of \$4,430,035 and \$4,294,694 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 of approximately \$33,000 and \$30,000, respectively.

The Organization leases motor vehicles under operating leases expiring at various dates through fiscal year 2023. Included in transportation expense is rental expense of \$832,000 and \$816,000 for the years ended June 30, 2018 and 2017, respectively.

The Organization leases numerous copiers under operating leases expiring at various dates through fiscal year 2022. Included in occupancy expense is rental expense of \$121,000 and \$136,000 for the years ended June 30, 2018 and 2017, respectively.

The Organization leases pieces of office and other equipment under operating leases expiring at various dates through fiscal year 2022. Included in occupancy expense are lease and rental expenses of \$14,000 and \$19,000 for the years ended June 30, 2018 and 2017, 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,

2019	\$ 4,190,478
2020	3,673,816
2021	2,987,135
2022	1,925,109
2023	1,725,968
Thereafter	4,392,637
	\$ 18,895,143

Notes to Consolidated Financial Statements

Note 13 - Temporarily and Permanently Restricted Net Assets

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

		2018	2017
Capital advances from HUD	\$	1,330,800	\$ 1,330,800
Services to children and families		86,393	167,176
Facilities rent		-	20,000
Program equipment		2,329	-
Trustee awards at the discretion of Board members	_	28,271	 31,146
	\$ <u>_</u>	1,447,793	\$ 1,549,122

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:

		2018		2017
Services to children and families	\$	126,726	\$	220,376
Program equipment		-		35,000
Facilities rent		20,000		-
Trustee awards at the discretion of Board members		4,000		3,000
	\$ _	150,726	\$	258,376
			-	

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 \$660,387 and \$713,962 related to the plan for the years ended June 30, 2018 and 2017, 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 \$83,339 and \$89,053 to the plan during the years ended June 30, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

Note 14 - Retirement Plans (Continued)

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 to the plan during each of the years ended June 30, 2018 and 2017.

Note 15 - 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.



Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
		-	<u> </u>	
Department of Housing and Urban Development Direct Programs:				
Supportive Housing for Persons with Disabilities - Capital Advances	NA	14.181	\$ - \$.,,
Supportive Housing for Persons with Disabilities - Rental Assistance	NA	14.181		72,894
Total Department of Housing and Urban Development Direct Programs			<u> </u>	1,403,694
Department of Education Pass-Through Programs from:				
Commonwealth of Massachusetts				
Department of Public Health				
Special Education-Grants for Infants and Families	4513-9021	84.181		2,245
University of Rochester				
Research in Special Education	16-0743209	84.324		186,054
University of Oregon				
Special Education Technical Assistance and Dissemination to Improve				
Services and Results for Children with Disabilities	H3265130004	84.326		35,393
Total Department of Education Pass-Through Programs			<u>-</u> _	223,692
Department of Agriculture, Food and Nutrition Service Pass-Through Program from: Commonwealth of Massachusetts Department of Education				
Child Nutrition Cluster				
National School Lunch Program	7053-2112	10.555		214,879
Total Department of Agriculture, Food and Nutrition Service Pass-Through Program				214,879
Total Expenditures of Federal Awards			\$	1,842,265

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying Consolidated 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, 2018. The information in this 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 (the "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 consolidated financial position, changes in net assets or cash flows of The May Institute, Inc. and Affiliates.

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 contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Supportive Housing for Persons with Disabilities

Included in Supportive Housing for Persons with Disabilities is the cumulative amount of capital advances received from the U.S. Department of Housing and Urban Development (HUD). HUD requires the Organization *to* comply with the requirements identified in the regulatory agreements with the Organization for forty years under the Capital Advance Programs.



Mayer Hoffman McCann P.C.



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Independent Auditors' 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

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

We have audited, 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, the consolidated financial statements of The May Institute, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2018, 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 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

November 5, 2018

Boston, Massachusetts

Mayu Hayeman McCann P.C.



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Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2018. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.





Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

November 5, 2018 Boston, Massachusetts

Tayu Hayeman Me Cann P.C.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section 1 Summary of Auditors' Results

Consolidated Financial Statements

1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

- 2. Internal control over financial reporting:
 - a. Material weaknesses identified?b. Significant deficiencies identified?None Reported
- 3. Noncompliance material to the consolidated financial statements noted?

No

Federal Awards

1. Internal control over major federal programs:

a. Material weaknesses identified?b. Significant deficiencies identified?None Reported

Type of auditors' report issued on compliance for major federal programs:
 Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

4. Identification of major federal programs:

CFDA Number Name of Federal Program or Cluster

14.181 Supportive Housing for Persons with Disabilities

5. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

6. Auditee qualified as a low-risk auditee? Yes

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section 2

Consolidated Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.