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

The May Institute, Inc. and Affiliates

June 30, 2019 and 2018



# 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 Directors The May Institute, Inc. and Affiliates Randolph, Massachusetts

#### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The May Institute, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### **Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

#### Supplemental Information

Our audits were 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 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 4, 2019 Boston, Massachusetts

Mayer Hayeman Me Cann P.C.

# Consolidated Statements of Financial Position

# June 30,

		2019		2018
Assets				
Current assets:				
Cash and cash equivalents	\$	2,116,176	\$	4,358,067
Custodial funds		548,180		573,230
Escrow deposits		155,424		150,430
Accounts receivable, net		13,846,297		13,453,291
Pledges receivable, net		32,735		128,985
Prepaid expenses		331,178		242,109
Investments	-	8,507,810	-	7,986,759
Total current assets	-	25,537,800	_	26,892,871
Assets whose use is limited or restricted:				
Board designated investments		1,023,825		960,178
	_			
Property, plant and equipment, net	-	31,281,834	_	30,741,801
Other assets:				
Deposits		500,337		489,065
Other assets		1,196,188		960,040
	-		_	<u> </u>
Total other assets	-	1,696,525	-	1,449,105
Total assets	\$ _	59,539,984	\$ _	60,043,955
Liabilities and Net Assets				
Current liabilities:				
Note payable, line of credit	\$	-	\$	2,500,000
Current maturities of long-term debt		973,287		939,794
Accounts payable		1,799,762		1,434,680
Accrued expenses		4,507,475		4,022,370
Other current liabilities	-	101,884	_	40,553
Total current liabilities		7,382,408		8,937,397
Long-term debt, net of current maturities		22,140,954		22,761,093
Other liabilities		1,334,121		1,215,248
	-		_	
Total liabilities	-	30,857,483	_	32,913,738
Net assets:				
Without donor restrictions		27,266,951		25,681,424
With donor restrictions	_	1,415,550	_	1,448,793
Total net assets	_	28,682,501		27,130,217
Total Pak PRose and and appear	•	E0 E20 00 <i>4</i>	¢	CO 040 055
Total liabilities and net assets	\$ <u>_</u>	59,539,984	<b>\$</b> =	60,043,955

# **Consolidated Statement of Activities**

# Year Ended June 30, 2019 (with comparative totals for 2018)

			2019		2018
	Without		With		 
	Donor		Donor		
	Restrictions		Restrictions	Total	Total
Revenues, other support, gains and losses:					
Tuition	\$ 55,910,304	\$	- \$	55,910,304	\$ 51,835,784
Contract revenue	51,319,777		-	51,319,777	51,206,513
Consulting and management services	1,116,636		-	1,116,636	2,205,042
Third-party fees	14,939,500		-	14,939,500	14,430,432
Consumer revenue	4,103,239		-	4,103,239	4,000,161
Other program revenue	974,034		-	974,034	882,667
Contributions, grants and subsidies	804,396		32,744	837,140	885,730
Interest income	73		-	73	71
Investment return, net	546,571		-	546,571	492,964
Gain (loss) on sale of equipment	241,202		-	241,202	(1,756)
Other sources	213,021		-	213,021	252,698
Net assets released from restrictions	65,987	-	(65,987)		 
Total revenues, other support, gains and losses	130,234,740	-	(33,243)	130,201,497	 126,190,306
Expenses:					
The May Institute, Inc.:					
Educational Services	43,045,806		-	43,045,806	39,645,885
Adult Residential and Day Services	54,923,484		-	54,923,484	54,339,608
Home, School & Center Based Services	9,824,708		-	9,824,708	10,661,609
Other programs	1,083,824		-	1,083,824	1,806,168
Bay School program services	4,937,313		-	4,937,313	4,443,301
May International LLC	292,631		-	292,631	-
National Autism Center, Inc.	87,008		-	87,008	215,096
Greater Springfield Residences, Inc.	98,918		-	98,918	91,910
May-West Roxbury Residences, Inc.	79,734			79,734	 83,796
Total program service expenses	114,373,426		-	114,373,426	111,287,373
Management and general	13,544,031		-	13,544,031	12,594,330
Fundraising	731,756	-		731,756	 597,272
Total expenses	128,649,213	_		128,649,213	 124,478,975
Change in net assets	1,585,527		(33,243)	1,552,284	1,711,331
Net assets, beginning of year	25,681,424	_	1,448,793	27,130,217	 25,418,886
Net assets, end of year	\$ 27,266,951	\$	1,415,550 \$	28,682,501	\$ 27,130,217

# **Consolidated Statement of Activities**

# Year Ended June 30, 2018

		Without Donor Restrictions		With Donor Restrictions		Total
Revenues, other support, gains and losses:						
Tuition	\$	51,835,784	\$	-	\$	51,835,784
Contract revenue		51,206,513		-		51,206,513
Consulting and management services		2,205,042		-		2,205,042
Third-party fees		14,430,432		-		14,430,432
Consumer revenue		4,000,161		-		4,000,161
Other program revenue		882,667		-		882,667
Contributions, grants and subsidies		836,333		49,397		885,730
Interest income		71		-		71
Investment return, net		492,964		-		492,964
Loss on sale of equipment		(1,756)		-		(1,756)
Other sources		252,698		-		252,698
Net assets released from restrictions		150,726		(150,726)	-	
Total revenues, other support, gains and losses		126,291,635	•	(101,329)	. <u>-</u>	126,190,306
Expenses:						
The May Institute, Inc.:						
Educational Services		39,645,885		-		39,645,885
Adult Residential and Day Services		54,339,608		-		54,339,608
Home, School & Center Based Services		10,661,609		-		10,661,609
Other programs		1,806,168		-		1,806,168
Bay School program services		4,443,301		-		4,443,301
National Autism Center, Inc.		215,096		-		215,096
Greater Springfield Residences, Inc.		91,910		-		91,910
May-West Roxbury Residences, Inc.		83,796			-	83,796
Total program service expenses		111,287,373		-		111,287,373
Management and general		12,594,330		-		12,594,330
Fundraising		597,272			-	597,272
Total expenses		124,478,975				124,478,975
Change in net assets		1,812,660		(101,329)		1,711,331
Net assets, beginning of year	-	23,868,764		1,550,122		25,418,886
Net assets, end of year	\$	25,681,424	\$	1,448,793	\$	27,130,217

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2019 (with comparative totals for 2018)

		Educational Services		Adult Residential and Day Services	Home, School & Center Based Services	Other Programs		Bay School	lr	May nternational LLC		National Autism Center, Inc.		Balance Forward
Salaries and wages	\$	29,990,105	\$	36,210,316	\$ 7,181,252	\$ 714,385	\$	2,840,053	\$	186,625	\$	30,004	\$	77,152,740
Employee benefits and payroll taxes		6,028,210		7,899,754	1,498,987	133,327		708,634		18,083		5,334		16,292,329
Professional fees and contracted services		553,665		693,406	142,489	13,910		404,207		77,382		209		1,885,268
Occupancy		3,141,072		5,368,658	366,648	89,779		648,704		-		16,526		9,631,387
Supplies		775,200		830,496	108,205	13,558		56,925		751		2,814		1,787,949
Transportation		517,954		1,688,720	216,869	17,189		179,244		9,180		93		2,629,249
Dietary expense		623,435		1,220,600	18,284	1,977		18,963		-		-		1,883,259
Interest expense		348,131		242,492	18,506	16,567		-		-		2,594		628,290
Depreciation and amortization		778,590		491,394	30,278	36,101		39,897		-		27,399		1,403,659
Other	-	289,444	-	277,648	 243,190	 47,031		40,686	_	610		2,035	_	900,644
	\$_	43,045,806	\$_	54,923,484	\$ 9,824,708	\$ 1,083,824	\$_	4,937,313	\$	292,631	\$_	87,008	\$_	114,194,774

# Consolidated Statement of Functional Expenses

# Year Ended June 30, 2019 (with comparative totals for 2018)

					Support	Services		
	Balance Forward	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Total Program Services	Management and General	Fundraising	2019 Total Expenses	2018 Total Expenses
Salaries and wages	\$ 77,152,740	10,908	\$ 6,822	\$ 77,170,470	\$ 7,746,189 \$	400,371	85,317,030 \$	82,202,991
Employee benefits and payroll taxes	16,292,329	3,632	2,240	16,298,201	1,687,058	65,004	18,050,263	17,636,155
Professional fees and contracted services	1,885,268	9,491	8,695	1,903,454	1,214,461	718	3,118,633	2,798,181
Occupancy	9,631,387	50,612	31,477	9,713,476	610,787	4,817	10,329,080	9,621,790
Supplies	1,787,949	173	69	1,788,191	196,493	32,583	2,017,267	2,088,903
Transportation	2,629,249	-	-	2,629,249	482,122	4,604	3,115,975	3,031,485
Dietary expense	1,883,259	-	-	1,883,259	56,880	364	1,940,503	1,881,263
Interest expense	628,290	-	-	628,290	353,420	-	981,710	994,977
Depreciation and amortization	1,403,659	24,041	30,396	1,458,096	490,885	2,001	1,950,982	1,927,591
Other	900,644	61	35_	900,740	705,736	221,294	1,827,770	2,295,639
	\$ 114,194,774	\$ 98,918	\$	\$114,373,426	\$ <u>13,544,031</u> \$	731,756	<u>128,649,213</u> \$	124,478,975

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

		Educational Services		Adult Residential and Day Services	Home, School & Center Based Services	Other Programs	Bay School	National Autism Center, Inc.		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

								_	Suppo	ort S	Services		
		Balance Forward	Greater Springfield sidences, Inc	·.	May-West Roxbury Residences, Inc.		Total Program Services		Management and General		Fundraising		Total Expenses
Salaries and wages	\$	74,656,005	\$ 10,085	\$	6,715	\$	74,672,805	\$	7,248,195	\$	281,991	\$	82,202,991
Employee benefits and payroll taxes		15,940,700	3,311		2,205		15,946,216		1,630,761		59,178		17,636,155
Professional fees and contracted services		1,746,333	10,745		8,609		1,765,687		1,030,840		1,654		2,798,181
Occupancy		8,922,017	43,990		36,424		9,002,431		616,328		3,031		9,621,790
Supplies		1,802,105	-		-		1,802,105		246,373		40,425		2,088,903
Transportation		2,563,474	-		-		2,563,474		467,137		874		3,031,485
Dietary expense		1,828,138	-		-		1,828,138		52,187		938		1,881,263
Interest expense		653,550	-		-		653,550		341,427		-		994,977
Depreciation and amortization		1,424,265	23,724		29,788		1,477,777		447,813		2,001		1,927,591
Other	_	1,575,080	 55	-	55	-	1,575,190	-	513,269	-	207,180	_	2,295,639
	\$ _	111,111,667	\$ 91,910	\$	83,796	\$	111,287,373	\$_	12,594,330	\$	597,272	\$_	124,478,975

# Consolidated Statements of Cash Flows

#### Years Ended June 30,

		2019		2018
Cash flows from operating activities:				
Change in net assets	\$	1,552,284	\$	1,711,331
Adjustments to reconcile change in net assets				
to net cash provided by operating activities:				
Depreciation and amortization		1,950,982		1,927,591
Provision for uncollectible accounts		187,242		481,563
Net realized and unrealized gain on investments		(296,559)		(270,098)
(Gain) loss on sale of property, plant and equipment		(241,202)		1,756
Discharge of mortgage		(2+1,202)		(45,993)
Increase (decrease) in cash resulting from a change in:				(+0,990)
Custodial funds		25,050		(33,147)
Accounts receivable		(580,248)		(579,769)
Pledges receivable		96,250		5,676
Predages receivable  Prepaid expenses		(89,069)		338,146
Deposits		,		(1,279)
Other assets		(11,272)		(198,563)
		(236,148)		,
Accounts payable		365,082		(619,587)
Accrued expenses		485,105		121,186
Other current liabilities		61,331		-
Other liabilities	-	118,873	-	237,110
Net cash provided by operating activities	-	3,387,701	_	3,075,923
Cash flows from investing activities:				
Purchases of property, plant and equipment		(2,236,320)		(1,085,158)
Proceeds from sale of property, plant and equipment		360,911		(1,000,100)
Purchases of investments		(224,492)		(194,219)
Payment of escrow deposits		(4,994)		(5,596)
Increase in board designated investments		(63,647)		(56,428)
moreage in Board designated investments	-	(00,011)	-	(00,120)
Net cash used in investing activities	-	(2,168,542)	-	(1,341,401)
Cash flows from financing activities:				
Advances on line of credit		7,000,000		2,500,000
Payments on line of credit		(9,500,000)		-
Repayments of long-term debt		(939,794)		(905,358)
Deferred financing costs	-	(21,256)	_	
Net cash provided by (used in) financing activities	-	(3,461,050)	_	1,594,642
Net increase (decrease) in cash and cash equivalents		(2,241,891)		3,329,164
Cash and cash equivalents, beginning of year	-	4,358,067	_	1,028,903
Cash and cash equivalents, end of year	\$	2,116,176	\$_	4,358,067
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for interest	\$	981,710	\$	994,977
	*	,	,	· - ,- · ·
Amounts included in long-term debt related to financed property	\$	352,000	\$	-
See accompanying notes to the consolidated financial statements.				10

#### 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. In July 2018, the Organization formed May International LLC, a Limited Liability Company, in order to serve its international clients.

# 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; May International LLC; 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 based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – include net assets available for general use and not subject to donor restrictions. The Board of Directors has designated from net assets without donor restrictions, net assets for future capital improvements and other program enhancements. Net assets without donor restrictions also include the investment in property, plant and equipment, net of accumulated depreciation, and debt and other funds.

Net Assets With Donor Restrictions – include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### 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.

#### Notes to Consolidated Financial Statements

# Note 2 - Summary of Significant Accounting Policies (Continued)

#### **Escrow Deposits**

Escrow deposits are cash accounts that represents 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.

#### Investments and Investment Return

The Organization reports investment at fair value. Fair value is determined as per the fair value measurements described below. All investments are included in the consolidated statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### Fair Value Measurements

The Organization reports certain assets and liabilities as fair value instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The fair value standards also provide for a practical expedient of fair value allowing for the use of net asset value per share ("NAV") when certain requirements are met. Items reported at fair value on a recurring basis include the Organization's investments in marketable securities, debt securities and U.S. Treasury securities.

#### Notes to Consolidated Financial Statements

# Note 2 - Summary of Significant Accounting Policies (Continued)

#### Fair Value Measurements (Continued)

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories (but for those items valued at NAV) as follows:

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date.
- Level 2 Inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.
- Level 3 Inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

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, 2019 and 2018.

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.

#### Assets Whose Use is Limited or Restricted

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

#### Notes to Consolidated Financial Statements

# Note 2 - Summary of Significant Accounting Policies (Continued)

#### Property, Plant 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:

#### **Useful Lives**

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.

## Impairment of Long-Lived Assets

The 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, 2019, the Organization did not recognize any impairment.

#### **Deferred Financing Costs**

Deferred financing costs are amortized over the term of the related loan on the straight-line basis. Amounts are against long-term debt in the consolidated statements of financial position.

#### **Revenue Recognition and Operations**

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as "net assets released from restrictions" between the classes of net assets.

#### Notes to Consolidated Financial Statements

#### Note 2 - Summary of Significant Accounting Policies (Continued)

#### 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.

#### Contributions, Grants and Subsidies

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.

#### **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.

#### Notes to Consolidated Financial Statements

#### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Functional Allocation of Expenses

The costs of providing the various programs, activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services that directly benefit from them. Depreciation of property, plant and equipment assets, operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefitted from the use of the proceeds of the debt. Administrative expenses are allocated on the basis of the ratio of each programs' direct expenses to the total direct program expenses. Indirect and supervisory wage expense and fringe benefits have been allocated on the basis of relative effort within each program as determined by management. Other non-direct expenses are charged to programs on the basis of their relative benefit from these expenses as determined 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.

Certain activities of exempt organizations unrelated to their mission may generate income that is subject to federal and state taxation as unrelated business income. As the Organization's unrelated business income is de minimis, management has concluded that disclosures related to tax provisions are not necessary.

#### 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.

#### Notes to Consolidated Financial Statements

#### Note 2 - Summary of Significant Accounting Policies (Continued)

#### **New Accounting Pronouncement**

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities*, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation to all periods presented; such reclassifications had no effect on changes in net assets.

#### Subsequent Events

The Organization has evaluated subsequent events through November 4, 2019, which is the date the consolidated financial statements were authorized to be issued.

## Note 3 - Liquidity and Availability

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, mutual funds and U.S. Treasury securities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the years ended June 30, 2019 and 2018.

As of June 30, 2019, the following tables show the total financial assets held by the Organization and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures:

Financial assets available to meet general expenditures over the next 12 months:

Cash	\$	2,116,176
Accounts receivable, net		13,846,297
Pledges for general expenditure due in one year or less		32,735
Investments not encumbered by donor or board restrictions	_	8,507,810

Total financial assets available to meet general expenditures over the next 12 months

\$ 24,503,018

#### Notes to Consolidated Financial Statements

# Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

		2019	2018
HUD required escrow accounts Tenant security deposits	\$	150,829 4,595	\$ 145,454 4,976
	\$ <sub>_</sub>	155,424	\$ 150,430

#### Note 5 - 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, 2019 and 2018, the Organization had approximately \$1,900,000 and \$4,700,000 in excess of FDIC limits, respectively. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

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

	_	2019		-	2018	
Commonwealth of MA	\$	5,484,660	38%	\$	5,226,008	37%
City and town		6,213,268	44%		5,226,771	37%
Third-party		829,147	6%		1,387,273	10%
Commercial and other		487,118	3%		608,343	5%
Other states		889,451	6%		1,145,990	8%
Self-pay		116,028	1%		267,113	2%
Federal	_	136,445	2%	-	185,100	1%
		14,156,117	100%		14,046,598	100%
Less allowance for uncollectible accounts	_	309,820		-	593,307	
	\$_	13,846,297		\$	13,453,291	

#### Notes to Consolidated Financial Statements

#### Note 5 - Concentration of Credit Risk (Continued)

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, 2019 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 6 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling \$3,301 and \$26,242 at June 30, 2019 and 2018, respectively. The gross pledges receivable balance of \$36,036 and \$155,227 as of June 30, 2019 and 2018, respectively, is expected to be collected within one year.

#### Note 7 - 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 \$9,531,635 and \$8,946,937 at June 30, 2019 and 2018, respectively.

		2019	2018
Short-term investments Board-designated funds	\$	8,507,810 1,023,825	\$ 7,986,759 960,178
	\$ <sub>=</sub>	9,531,635	\$ 8,946,937

Investment return consisted of the following for the years ended June 30:

	2019	2018
Interest and dividend income Realized and unrealized gains Investment expenses	\$  277,181 \$ 296,559 (27,169)	249,185 270,098 (26,319)
Investment return, net	\$ 546,571 \$	492,964

# Notes to Consolidated Financial Statements

# Note 8 - Fair Value Measurements

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

		2019		2018
		Level 1		Level 1
Investments included in:				
Mutual funds:				
Fixed income	\$	4,615,267	\$	4,610,838
Stock	•	3,553,387	*	3,258,942
Cash reserves		504,598	_	265,094
Total mutual funds	_	8,673,252		8,134,874
U.S. Treasury securities	_	858,383	_	812,063
Total investments	\$_	9,531,635	\$	8,946,937

# Note 9 - Property, Plant and Equipment, Net

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

		2019	2018
Building and improvements	\$	36,954,590	\$ 35,938,409
Land		9,844,107	9,787,203
Equipment		5,327,772	4,677,916
Leasehold improvements		2,870,544	2,655,315
Furniture and fixtures		1,308,951	1,262,317
Construction in progress		279,304	203,903
Motor vehicles	_	52,521	24,948
		56,637,789	54,550,011
Less accumulated depreciation and amortization	_	25,355,955	 23,808,210
	\$_	31,281,834	\$ 30,741,801

#### Notes to Consolidated Financial Statements

# 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. Subsequent to year end, the line of credit was renewed and set to expire on September 1, 2024. Advances on the line of credit carry interest at the bank's prime rate, which was 5.5% and 5.0% at June 30, 2019 and 2018, respectively. The outstanding borrowings are \$0 and \$2,500,000 at June 30, 2019 and 2018, respectively.

#### Note 11 - Long-term Debt

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

ong-term debt consists of the following at June 30:		
	2019	2018
Massachusetts Development Finance Agency ("MDFA") private placement 2010 Series bond, with fixed interest rate of 4.45% subject to two adjustments over the duration of the bond on October 1, 2020 and 2030, at which time, the interest rate will reflect the Federal Home Loan Bank Classic 10-Year Advance Rate, but not less than 4.45%. Monthly principal and interest payments of \$81,212 are due until maturity on October 1, 2040.	\$ 13,330,684	\$ 13,694,785
Massachusetts Development Finance Agency ("MDFA") private placement 2012 Series bond, with fixed interest rate of 3.23% until November 30, 2022, at which time it is subject to change. Monthly principal and interest payments of \$73,485 are due until maturity on December 1, 2042.	9,033,799	9,609,493
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
\$1,500,000 Real Estate Line of Credit payable to a Massachusetts bank at bank's prime rate (5.5% at June 30, 2019). No Principal payments on or before maturity at August 1, 2023. Advances can be refinanced into term notes up to \$7,500,000 with term of 15 years and principal amortization over	352,000	
30 years.	352,000	·
Logo ourrent portion	23,429,887	24,017,682
Less current portion Less deferred financing costs, net	973,287 315,646	939,794 316,795
2000 dolottod ilitationing 000to, flot		
	\$ 22,140,954	\$ 22,761,093

#### 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,

2020	\$	973,287
2021		1,012,922
2022		1,051,702
2023		1,092,007
2024		1,131,921
Thereafter	_	18,168,048

\$ <u>23,429,887</u>

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.

#### Note 12 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has interpreted state law as requiring realized and unrealized gains of net assets with donor restrictions to be retained in that net asset classification until appropriated by the Organization's Board of Directors and expended, except to the extent donors have indicated investment returns have certain restrictions, either permanent or purpose restrictions. State law allows the Board of Directors to appropriate as much of the net appreciation of net assets with donor restrictions 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 13 - Net Assets

Net assets without donor restrictions consisted of the following at June 30:

	2019		2018
Operating funds  Net investment in property, plant and equipment	\$ 20,274,734 6,836,793	\$	19,820,880 5,710,114
Escrow deposits	155,424	_	150,430
	\$ 27,266,951	\$	25,681,424

Net assets with donor restrictions were available for the following purposes at June 30:

		2019		2018
Capital advances from HUD	\$	1,330,800	\$	1,330,800
Services to children and families		65,479		86,393
Program equipment		-		2,329
Trustee awards at the discretion of Board members		18,271		28,271
Amount to be held in perpetuity	_	1,000	_	1,000
	•	4 445 550	•	4 440 702
	\$ _	1,415,550	<b>\$</b>	1,448,793

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 restrictions were released for the following purposes for the years ended June 30:

		2019	2018
Services to children and families	\$	53,658	\$ 126,726
Facilities rent		-	20,000
Program equipment		2,329	
Trustee awards at the discretion of Board members	_	10,000	 4,000
	\$_	65,987	\$ 150,726

#### Notes to Consolidated Financial Statements

#### Note 14 - Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2032. Included in occupancy expense is rental expense of \$5,044,166 and \$4,430,035 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 of approximately \$38,465 and \$33,287, 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 \$914,971 and \$832,486 for the years ended June 30, 2019 and 2018, 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 \$101,837 and \$121,022 for the years ended June 30, 2019 and 2018, 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 \$5,721 and \$13,920 for the years ended June 30, 2019 and 2018, 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,

2020 2021 2022 2023 2024 Thereafter	\$	4,732,746 3,886,537 2,633,664 2,336,919 1,481,768 3,870,446
Thereafter	_	3,870,446

#### Note 15 - 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. The Organization recognized an expense of \$668,799 and \$660,387 related to the plan for the years ended June 30, 2019 and 2018, 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 \$70,017 and \$83,339 to the plan during the years ended June 30, 2019 and 2018, respectively.

18,942,080

#### Notes to Consolidated Financial Statements

#### Note 15 - 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 \$81,500 and \$41,500 to the plan during the years ended June 30, 2019 and 2018, respectively.

#### Note 16 - Commitments and Contingencies

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

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

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



# Consolidated Schedule of Expenditures of Federal Awards

#### Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development Direct Programs:  Supportive Housing for Persons with Disabilities - Capital Advances  Supportive Housing for Persons with Disabilities - Rental Assistance	NA NA	14.181 14.181	\$ - \$	1,330,800 71,120
Supportive nousing for Persons with Disabilities - Rental Assistance	INA	14.101		71,120
Total Department of Housing and Urban Development Direct Programs				1,401,920
Department of Defense Pass-Through Program from: University of Rochester				
Military Medical Research and Development	GR51059S	12.420		136,499
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	-	17,592
Rehabilitation Services - Vocational Rehabilitation Grants to States	4110-3021	84.126		1,642
University of Rochester				
Research in Special Education	16-0743209	84.324		42,100
University of Oregon  Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	H3265130004	84.326		66,697
Total Department of Education Pass-Through Programs				128,031
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	-	242,264
Total Department of Agriculture, Food and Nutrition Service Pass-Through Pro	ogram		<u> </u>	242,264
Total Expenditures of Federal Awards			\$ \$	1,908,714

# Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

#### 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, 2019. 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.



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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 Directors 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, 2019, 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 4, 2019.

# 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 4, 2019

Boston, Massachusetts

Mayer Hayeman McCann P.C.



#### Mayer Hoffman 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 Directors The May Institute, Inc. and Affiliates Randolph, Massachusetts

#### Report on Compliance for Each Major Federal Program

We have audited The May Institute, Inc. and Affiliates' (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, 2019. 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, 2019.

#### 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 4, 2019 Boston, Massachusetts

Mayu Hayeman Melann P.C.

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

# 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
- 2. 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:

# <u>CFDA Number</u> <u>Name of Federal Program or Cluster</u>

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?

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

# Section 2

**Consolidated Financial Statement Findings** 

None noted.

Section 3

**Federal Award Findings and Questioned Costs** 

None noted.