



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

**The May Institute, Inc.
and Affiliates**

June 30, 2020 and 2019



THE MAY INSTITUTE, INC. AND AFFILIATES

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, 2020 and 2019, 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, 2020 and 2019, 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 Matters

As discussed in Note 2 to the consolidated financial statements, effective July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2016-18, *Statement of Cash Flows, Restricted Cash*. Our opinion is not modified with respect to these matters.

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 December 11, 2020 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.

Maya Heffman McCann P.C.

December 11, 2020
Boston, Massachusetts

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

June 30,

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,022,031	\$ 2,116,176
Custodial funds	837,539	548,180
Escrow deposits	160,804	155,424
Accounts receivable, net	15,458,475	13,846,297
Grants receivable	361,156	-
Pledges receivable, net	10,000	32,735
Prepaid expenses	789,363	331,178
Investments	8,949,970	8,507,810
Total current assets	32,589,338	25,537,800
Assets whose use is limited or restricted:		
Board designated investments	1,065,422	1,023,825
Property, plant and equipment, net	30,376,901	31,281,834
Other assets:		
Deposits	469,351	500,337
Other assets	1,529,546	1,196,188
Total other assets	1,998,897	1,696,525
Total assets	\$ 66,030,558	\$ 59,539,984
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt	\$ 488,308	\$ 973,287
Accounts payable	1,666,452	1,799,762
Accrued expenses	7,583,590	4,507,475
Refundable advances	1,108,314	-
Other current liabilities	1,293,198	101,884
Total current liabilities	12,139,862	7,382,408
Long-term debt, net of current maturities	21,585,074	22,140,954
Deferred payroll taxes	1,232,880	-
Other liabilities	2,218,754	1,334,121
Total liabilities	37,176,570	30,857,483
Net assets:		
Without donor restrictions	27,465,174	27,266,951
With donor restrictions	1,388,814	1,415,550
Total net assets	28,853,988	28,682,501
Total liabilities and net assets	\$ 66,030,558	\$ 59,539,984

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended June 30, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, other support, gains and losses:				
Tuition	\$ 62,074,225	\$ -	\$ 62,074,225	\$ 55,910,304
Contract revenue	54,094,353	-	54,094,353	51,319,777
Third-party fees	14,504,629	-	14,504,629	14,939,500
Consumer revenue	3,862,598	-	3,862,598	4,103,239
Other program revenue	806,469	-	806,469	974,034
Contributions, grants and subsidies	774,671	43,481	818,152	837,140
Consulting and management services	672,070	-	672,070	1,116,636
Investment return, net	450,785	-	450,785	546,644
Gain (loss) on sale of equipment	(3,229)	-	(3,229)	241,202
Loss on deferred financing costs	(294,665)	-	(294,665)	-
Other sources	200,637	-	200,637	213,021
Net assets released from restrictions	70,217	(70,217)	-	-
Total revenues, other support, gains and losses	137,212,760	(26,736)	137,186,024	130,201,497
Expenses:				
The May Institute, Inc.:				
Educational Services	48,528,552	-	48,528,552	43,045,806
Adult Residential and Day Services	58,203,844	-	58,203,844	54,923,484
Home, School & Center Based Services	9,401,360	-	9,401,360	9,824,708
Other programs	942,356	-	942,356	1,083,824
Bay School program services	5,100,546	-	5,100,546	4,937,313
May International LLC	310,521	-	310,521	292,631
National Autism Center, Inc.	65,986	-	65,986	87,008
Greater Springfield Residences, Inc.	73,486	-	73,486	98,918
May-West Roxbury Residences, Inc.	60,478	-	60,478	79,734
Total program service expenses	122,687,129	-	122,687,129	114,373,426
Management and general	13,900,769	-	13,900,769	13,544,031
Fundraising	426,639	-	426,639	731,756
Total expenses	137,014,537	-	137,014,537	128,649,213
Change in net assets	198,223	(26,736)	171,487	1,552,284
Net assets, beginning of year	27,266,951	1,415,550	28,682,501	27,130,217
Net assets, end of year	\$ 27,465,174	\$ 1,388,814	\$ 28,853,988	\$ 28,682,501

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended June 30, 2019

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenues, other support, gains and losses:			
Tuition	\$ 55,910,304	\$ -	\$ 55,910,304
Contract revenue	51,319,777	-	51,319,777
Third-party fees	14,939,500	-	14,939,500
Consumer revenue	4,103,239	-	4,103,239
Other program revenue	974,034	-	974,034
Contributions, grants and subsidies	804,396	32,744	837,140
Consulting and management services	1,116,636	-	1,116,636
Investment return, net	546,644	-	546,644
Gain on sale of equipment	241,202	-	241,202
Other sources	213,021	-	213,021
Net assets released from restrictions	65,987	(65,987)	-
Total revenues, other support, gains and losses	130,234,740	(33,243)	130,201,497
Expenses:			
The May Institute, Inc.:			
Educational Services	43,045,806	-	43,045,806
Adult Residential and Day Services	54,923,484	-	54,923,484
Home, School & Center Based Services	9,824,708	-	9,824,708
Other programs	1,083,824	-	1,083,824
Bay School program services	4,937,313	-	4,937,313
May International LLC	292,631	-	292,631
National Autism Center, Inc.	87,008	-	87,008
Greater Springfield Residences, Inc.	98,918	-	98,918
May-West Roxbury Residences, Inc.	79,734	-	79,734
Total program service expenses	114,373,426	-	114,373,426
Management and general	13,544,031	-	13,544,031
Fundraising	731,756	-	731,756
Total expenses	128,649,213	-	128,649,213
Change in net assets	1,585,527	(33,243)	1,552,284
Net assets, beginning of year	25,681,424	1,448,793	27,130,217
Net assets, end of year	\$ 27,266,951	\$ 1,415,550	\$ 28,682,501

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses

Year Ended June 30, 2020
(with comparative totals for 2019)

	Educational Services	Adult Residential and Day Services	Home, School & Center Based Services	Other Programs	Bay School	May International LLC	National Autism Center, Inc.	Balance Forward
Salaries and wages	\$ 34,588,862	\$ 39,030,889	\$ 6,627,157	\$ 602,341	\$ 3,086,950	\$ 241,455	\$ 29,712	\$ 84,207,366
Employee benefits and payroll taxes	6,843,813	8,412,733	1,588,680	119,147	781,826	31,757	5,129	17,783,085
Professional fees and contracted services	509,661	555,677	119,590	3,828	395,089	31,734	214	1,615,793
Occupancy	3,175,332	5,321,019	430,970	106,184	660,231	2,500	5,375	9,701,611
Supplies	898,419	1,166,846	161,107	23,806	54,700	-	3,361	2,308,239
Transportation	436,725	1,550,859	125,870	14,898	36,703	3,035	-	2,168,090
Dietary expense	619,378	1,179,869	12,221	1,047	13,421	-	-	1,825,936
Interest expense	344,647	232,221	18,649	14,811	-	-	2,311	612,639
Depreciation and amortization	818,652	504,481	46,183	44,470	44,077	-	17,248	1,475,111
Other	293,063	249,250	270,933	11,824	27,549	40	2,636	855,295
	\$ 48,528,552	\$ 58,203,844	\$ 9,401,360	\$ 942,356	\$ 5,100,546	\$ 310,521	\$ 65,986	\$ 122,553,165

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

*Year Ended June 30, 2020
(with comparative totals for 2019)*

					<u>Support Services</u>			
	Balance Forward	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Total Program Services	Management and General	Fundraising	2020 Total Expenses	2019 Total Expenses
Salaries and wages	\$ 84,207,366	\$ -	\$ -	\$ 84,207,366	\$ 8,099,914	\$ 232,455	\$ 92,539,735	\$ 85,317,030
Employee benefits and payroll taxes	17,783,085	-	-	17,783,085	1,807,673	52,218	19,642,976	18,050,263
Professional fees and contracted services	1,615,793	926	926	1,617,645	995,371	6,212	2,619,228	3,118,633
Occupancy	9,701,611	46,485	28,492	9,776,588	698,425	6,271	10,481,284	10,329,080
Supplies	2,308,239	21	-	2,308,260	205,950	20,113	2,534,323	2,017,267
Transportation	2,168,090	-	-	2,168,090	424,073	841	2,593,004	3,115,975
Dietary expense	1,825,936	-	-	1,825,936	46,937	524	1,873,397	1,940,503
Interest expense	612,639	-	-	612,639	419,397	-	1,032,036	981,710
Depreciation and amortization	1,475,111	26,019	31,023	1,532,153	547,970	7,145	2,087,268	1,950,982
Other	855,295	35	37	855,367	655,059	100,860	1,611,286	1,827,770
	\$ 122,553,165	\$ 73,486	\$ 60,478	\$ 122,687,129	\$ 13,900,769	\$ 426,639	\$ 137,014,537	\$ 128,649,213

THE MAY INSTITUTE, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Educational Services	Adult Residential and Day Services	Home, School & Center Based Services	Other Programs	Bay School	May International 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

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES
Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

					<u>Support Services</u>		
	<i>Balance Forward</i>	<i>Greater Springfield Residences, Inc.</i>	<i>May-West Roxbury Residences, Inc.</i>	<i>Total Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total Expenses</i>
Salaries and wages	\$ 77,152,740	\$ 10,908	\$ 6,822	\$ 77,170,470	\$ 7,746,189	\$ 400,371	\$ 85,317,030
Employee benefits and payroll taxes	16,292,329	3,632	2,240	16,298,201	1,687,058	65,004	18,050,263
Professional fees and contracted services	1,885,268	9,491	8,695	1,903,454	1,214,461	718	3,118,633
Occupancy	9,631,387	50,612	31,477	9,713,476	610,787	4,817	10,329,080
Supplies	1,787,949	173	69	1,788,191	196,493	32,583	2,017,267
Transportation	2,629,249	-	-	2,629,249	482,122	4,604	3,115,975
Dietary expense	1,883,259	-	-	1,883,259	56,880	364	1,940,503
Interest expense	628,290	-	-	628,290	353,420	-	981,710
Depreciation and amortization	1,403,659	24,041	30,396	1,458,096	490,885	2,001	1,950,982
Other	900,644	61	35	900,740	705,736	221,294	1,827,770
	<u>\$ 114,194,774</u>	<u>\$ 98,918</u>	<u>\$ 79,734</u>	<u>\$ 114,373,426</u>	<u>\$ 13,544,031</u>	<u>\$ 731,756</u>	<u>\$ 128,649,213</u>

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years Ended June 30,

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 171,487	\$ 1,552,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,087,268	1,950,982
Provision for uncollectible accounts	206,150	187,242
Net realized and unrealized gain on investments	(265,013)	(296,559)
(Gain) loss on sale of property, plant and equipment	3,229	(241,202)
Loss on deferred financing costs	294,665	-
Increase (decrease) in cash resulting from a change in:		
Accounts receivable	(1,818,328)	(580,248)
Grants receivable	(361,156)	-
Pledges receivable	22,735	96,250
Prepaid expenses	(458,185)	(89,069)
Deposits	30,986	(11,272)
Other assets	(333,358)	(236,148)
Accounts payable	(133,310)	365,082
Accrued expenses	3,076,115	485,105
Refundable advances	1,108,314	-
Other current liabilities	1,191,314	61,331
Deferred payroll taxes	1,232,880	-
Other liabilities	884,633	118,873
Net cash provided by operating activities	6,940,426	3,362,651
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,159,579)	(2,236,320)
Proceeds from sale of property, plant and equipment	-	360,911
Purchases of investments	(177,147)	(224,492)
Increase in board designated investments	(41,597)	(63,647)
Net cash used in investing activities	(1,378,323)	(2,163,548)
Cash flows from financing activities:		
Advances on line of credit	13,600,000	7,000,000
Payments on line of credit	(13,600,000)	(9,500,000)
Repayments of long-term debt	(1,345,222)	(939,794)
Proceeds from long-term debt	266,835	-
Deferred financing costs	(283,122)	(21,256)
Net cash used in financing activities	(1,361,509)	(3,461,050)
Net increase (decrease) in cash and cash equivalents	4,200,594	(2,261,947)
Cash and cash equivalents and restricted cash, beginning of year	2,819,780	5,081,727
Cash and cash equivalents and restricted cash, end of year	\$ 7,020,374	\$ 2,819,780
Cash and cash equivalents	\$ 6,022,031	\$ 2,116,176
Custodial funds	837,539	548,180
Escrow deposits	160,804	155,424
Total cash, cash equivalents and restricted cash	\$ 7,020,374	\$ 2,819,780
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,021,311	\$ 981,710
Amounts included in long-term debt related to financed property	\$ 352,000	\$ 352,000

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 1 - Organization

The May Institute, Inc. and Affiliates (the "Organization") are not-for-profit organizations established for the purpose of providing educational and rehabilitative services for individuals and the families of individuals with autism, developmental disabilities, behavioral disorders, and mental illness, 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 related debt obligations 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. Such accounts are carried at cost plus earned interest. Certain of these accounts have limited deposit insurance, while others may exceed or not have such insurance.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Custodial Funds

The Organization maintains collective fiduciary accounts at financial institutions for the benefit of certain clients. Such accounts are carried at cost plus earned interest. The related liability is included within accrued expenses.

Escrow Deposits

Escrow deposits are cash accounts required to be maintained by the U.S. Department of Housing and Urban Development ("HUD"). These amounts are carried at costs plus earned interest.

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. 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.

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.

Grants and contracts receivable are carried at original invoice amount. Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in the disallowance of costs submitted for reimbursement. Management is of the opinion that such cost allowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential disallowances.

Investments

The Organization reports investment at fair value. Fair value is determined as per the fair value measurements described below.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Items reported at fair value on a recurring basis include the Organization's investments in marketable securities, debt securities, exchange traded products and U.S. Treasury securities. Non-recurring fair values include items such as the initial recording of pledges.

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 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 consolidated financial statements.

Assets Whose Use is Limited or Restricted

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

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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, which would normally entail a Level 3 fair value assessment as per the fair value standards. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

	<i>Useful Lives</i>
Building and improvements	20 - 40 years
Furniture and fixtures	3 - 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, 2020, the Organization did not recognize any impairment.

Debt Obligations

Debt obligations are reported at face value of the remaining obligations under the related debt net of issuance costs. Deferred financing costs are amortized over the term of the related loan on the straight-line basis. Amounts are netted against long-term debt in the consolidated statements of financial position.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Under accounting standards, revenue may be earned under exchange transactions or contribution transactions which include grants and contracts as well as various types of contributed support. Exchange transactions are measured via a principles-based process that requires the entities: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction prices; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Exchange transaction revenues are under arrangements that are one year or less in length. Consumer revenue, consulting and management services, third-party fees billed to insurance companies and individuals, and other program revenue are considered exchanged transactions. Contract revenue, contributions, grants and subsidies and majority of tuition revenue are considered contributed support.

Consulting and Management Services and Third-Party Fees

The Organization recognizes program service revenue for consulting and management services, and third-party fees associated with services provided to clients who have third-party coverage at a point in time when the performance obligation has been satisfied, which is when services have been rendered. Revenue is recorded 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). Clients and third-party insurance companies are billed on a monthly basis.

Consumer Revenue

Consumer revenue consists of client room and board fees from private pay clients. Consumer revenue also includes tuition paid by private pay clients. Clients are billed for tuition on a monthly basis at an established rate, and for room and board at a certain percentage of their income as stipulated by funding source regulations. Revenue is recognized in the period of consumption and occupancy to which the payment relates. Payments received in advance of services are reported as deferred revenue.

Other Program Revenue

Other program revenue consists of exchange support from funding sources as Section 8 rental income and food subsidies. Revenue is recorded in the associated period of consumption and occupancy to which the payment relates. Payments received in advance are deferred until earned. As of June 30, 2020 and 2019, there were no advances.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contract Revenue

Contract revenue consists of cost-reimbursement and unit rate contracts with state municipalities, other state agencies, and Massachusetts, California and Florida Medicaid to primarily support the majority of the Organization's students and consumers. Revenue is recorded at the Organization's rates of reimbursement as certified by the applicable funding agencies and are considered conditional contributions in that a barrier to entitlement must be met prior to the Organization having a right to the related resources. The Organization recognizes revenue when it has met the barrier to entitlement such as meeting a service delivery requirement or incurring specified qualifying expenses in accordance with a framework of allowable costs. The Organization bills funding sources primarily on a monthly basis following the month in which expenses have been incurred or services rendered to the client subject to the limits provided for in those contracts. Amounts received prior to incurring qualifying expenses are reported as refundable advances. At June 30, 2020, there were \$1,108,314 of refundable advances. At June 30, 2019, there were no refundable advances.

Tuition

Tuition revenue is recorded at the rate of reimbursement as authorized by the Massachusetts Operational Services Division ("OSD") and other state agencies. Students are supported by Massachusetts and other states, cities and towns and various agencies that are billed on a monthly basis. 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 considered conditional support in that a barrier to entitlement must be met prior to the Organization having a right to the related sources. The Organization recognizes revenue on a monthly basis when it has met the barrier to entitlement of delivering educational services.

Contributions, Grants and Subsidies

Contributions, grants and subsidies, including pledges receivable, are recorded as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. The discount on these amounts is computed using the appropriate rate commensurate with the timeframe involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. 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. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions and reported as "net assets released from restrictions" when such time or purpose of those restrictions have been

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions, Grants and Subsidies (Continued)

satisfied. Donor-restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Conditional contributions are recorded when conditions are met which primarily relates to contracts as noted above. At June 30, 2020, approximately \$1,615,715 of promised contributions have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not been met.

Investment Return

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.

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. Expenses are reported as decreases in net assets without donor restrictions. 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.

Income Tax Status

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. Given the limited taxable activities of the Organization, management has concluded that disclosures related to tax provisions are not necessary.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

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. The Organization has identified its tax status as a tax exempt entity and its determination as to what income is 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.

Adopted Accounting Pronouncements

Effective July 1, 2019, the Organization adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition using the modified retrospective method. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principles-based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncements (Continued)

Associated with the adoption of this standard, consideration was given the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

Effective July 1, 2019, the Organization also adopted ASU No. 2018-08, Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified retrospective method. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal and state grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable.

The adoption of these standards did not impact reported revenue in the period. Revenue recognition measurement practices were determined to be the same as under prior standards. In evaluating the effects of the change, transactions in process as of July 1, 2019 were considered.

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

During 2020, the Organization also adopted ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The update requires entities to include restricted cash or restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows.

Future Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year ending June 30, 2022 for the Organization. The Organization is evaluating the impact this will have on the consolidated financial statements.

Management believes that other pending accounting standards would have limited impact on the Organization and, accordingly, have not outlined those standards here.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

Subsequent Events

The Organization has evaluated subsequent events through December 11, 2020, which is the date the consolidated financial statements were authorized to be issued. See Note 16 for further discussion.

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, exchange traded products 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, 2020 and 2019.

The following table shows the total financial assets held by the Organization that are available to meet general expenditures at June 30:

	2020	2019
Financial assets available to meet general expenditures at year end:		
Cash	\$ 6,022,031	\$ 2,116,176
Accounts receivable, net	15,458,475	13,846,297
Pledges for general expenditure due in one year or less	10,000	32,735
Grants receivable	361,156	-
Investments not encumbered by donor or board restrictions	<u>8,949,970</u>	<u>8,507,810</u>
Total financial assets available to meet general expenditures at year end	\$ <u>30,801,632</u>	\$ <u>24,503,018</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

	2020	2019
HUD required escrow accounts	\$ 156,207	\$ 150,829
Tenant security deposits	<u>4,597</u>	<u>4,595</u>
	<u>\$ 160,804</u>	<u>\$ 155,424</u>

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, 2020 and 2019, the Organization had approximately \$6,200,000 and \$1,900,000 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:

	2020		2019	
Commonwealth of MA	\$ 6,032,078	38%	\$ 5,484,660	38%
City and town	7,682,317	49%	6,213,268	44%
Third-party	646,862	4%	829,147	6%
Commercial and other	92,440	1%	487,118	3%
Other states	1,070,716	7%	889,451	6%
Self-pay	69,536	0%	116,028	1%
Federal	<u>151,209</u>	<u>1%</u>	<u>136,445</u>	<u>2%</u>
	15,745,158	100%	14,156,117	100%
Less allowance for uncollectible accounts	<u>286,683</u>		<u>309,820</u>	
	<u>\$ 15,458,475</u>		<u>\$ 13,846,297</u>	

Management monitors and adjusts its allowances for uncollectible accounts to ensure that receivables are stated at their net realizable value. Although management expects the amounts recorded as net accounts receivable at June 30, 2020 to be collectible, this concentration of credit risk is expected to continue in the near term.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 5 - Concentration of Credit Risk (Continued)

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 \$0 and \$3,301 at June 30, 2020 and 2019, respectively. The gross pledges receivable balance of \$10,000 and \$36,036 as of June 30, 2020 and 2019, respectively, is expected to be collected within one year.

Note 7 - Investments and 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:

	<u>2020</u> <u>Level 1</u>	<u>2019</u> <u>Level 1</u>
Investments included in:		
Mutual funds:		
Fixed income	\$ 4,805,558	\$ 4,615,267
Stock	2,597,151	3,553,387
Cash reserves	<u>499,799</u>	<u>504,598</u>
Total mutual funds	7,902,508	8,673,252
Exchange traded products	2,112,884	-
U.S. Treasury securities	<u>-</u>	<u>858,383</u>
Total investments	\$ <u>10,015,392</u>	\$ <u>9,531,635</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 219,658	\$ 277,254
Realized and unrealized gains	265,013	296,559
Investment expenses	<u>(33,886)</u>	<u>(27,169)</u>
	\$ <u>450,785</u>	\$ <u>546,644</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 8 - Property, Plant and Equipment, Net

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

	2020	2019
Building and improvements	\$ 37,015,663	\$ 36,954,590
Land	10,000,976	9,844,107
Equipment	5,550,673	5,327,772
Leasehold improvements	3,466,172	2,870,544
Furniture and fixtures	1,386,749	1,308,951
Construction in progress	301,213	279,304
Motor vehicles	52,521	52,521
	<hr/>	<hr/>
	57,773,967	56,637,789
Less accumulated depreciation and amortization	27,397,066	25,355,955
	<hr/>	<hr/>
	\$ 30,376,901	\$ 31,281,834

Note 9 - 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 September 1, 2024. Advances on the line of credit carry interest at the bank's prime rate, which was 3.25% and 5.5% at June 30, 2020 and 2019, respectively. The outstanding borrowings are \$0 at June 30, 2020 and 2019.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 10 - Long-term Debt

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

	2020	2019
Massachusetts Development Finance Agency ("MDFA") private placement 2010 Series bond, refinanced in June 2020 with fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Monthly principal and interest payments of \$53,198 are due until maturity on October 1, 2049.	12,951,449	\$ 13,330,684
Massachusetts Development Finance Agency ("MDFA") private placement 2012 Series bond, refinanced in June 2020 with fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Monthly principal and interest payments of \$33,015 are due until maturity on December 1, 2049.	8,067,812	9,033,799
Massachusetts Development Finance Agency ("MDFA") private placement 2020 Project Bond known as the "draw down" bond with a face value of \$11,252,000 shall be used to fund the purchase of property and capital improvements. The draw down period is from June 9, 2020 through July 1, 2022. Interest shall accrue on the aggregate outstanding principal amount from the date of each advance. Fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Interest only payment on the outstanding draw down balances is due until June 1, 2022. Commencing July 1, 2022, monthly principal and interest payments of \$47,697 are due until June 1, 2050.	618,835	-
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 30 years. Balance due as of June 30, 2019 was refinanced into the new 2020 Project Bond in June 2020 terminating the line of credit.	-	352,000
	22,351,500	23,429,887
Less current portion	488,308	973,287
Less deferred financing costs, net	278,118	315,646
	\$ 21,585,074	\$ 22,140,954

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 10 - Long-term Debt (Continued)

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

Years Ending June 30,

2021	\$	488,308
2022		511,005
2023		524,305
2024		536,542
2025		551,958
Thereafter		<u>19,739,382</u>
	\$	<u>22,351,500</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.

During 2020, debt financing costs of \$278,893 were incurred in connection with the issuance of the 2020 Project Bond and refinancing of the 2010 and 2012 bonds. These costs are being amortized over the terms of the bonds. Amortization expense for the year ended June 30, 2020 amounted to \$775.

During 2020, in connection with the refinancing, the Organization wrote off net deferred financing costs incurred in connection with the original debt issue in the amount of \$281,999. The Organization also wrote off net deferred financing costs of \$12,666 associated with the terminated Real Estate Line of Credit noted above. Amortization expense for the years ended June 30, 2020 and 2019 on the bonds amounted to \$16,642 and \$18,155, respectively. Amortization expense for the years ended June 30, 2020 and 2019 on the Real Estate Line of Credit amounted to \$8,568 and \$4,251, respectively.

Note 11 - 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.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 11 - Endowment (Continued)

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 and exchange traded products.

Note 12 - Net Assets

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

	2020	2019
Operating funds	\$ 20,748,088	\$ 20,274,734
Net investment in property, plant and equipment	6,972,719	6,836,793
Escrow deposits	160,804	155,424
	<u>\$ 27,881,611</u>	<u>\$ 27,266,951</u>

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

	2020	2019
Capital advances from HUD	\$ 1,330,800	\$ 1,330,800
Services to children and families	38,593	65,479
Trustee awards at the discretion of Board members	18,421	18,271
Amount to be held in perpetuity	1,000	1,000
	<u>\$ 1,388,814</u>	<u>\$ 1,415,550</u>

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:

	2020	2019
Services to children and families	\$ 61,217	\$ 53,658
Program equipment	-	2,329
Trustee awards at the discretion of Board members	9,000	10,000
	<u>\$ 70,217</u>	<u>\$ 65,987</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

Note 13 - Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2032. Included in occupancy expense is rental expense of \$5,367,961 and \$5,044,166 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 of approximately \$46,801 and \$38,465, respectively.

The Organization leases motor vehicles under operating leases expiring at various dates through fiscal year 2025. Included in transportation expense is rental expense of \$969,454 and \$914,971 for the years ended June 30, 2020 and 2019, respectively.

The Organization leases numerous copiers under operating leases expiring at various dates through fiscal year 2023. Included in occupancy expense is rental expense of \$96,055 and \$101,837 for the years ended June 30, 2020 and 2019, respectively.

The Organization leases pieces of office and other equipment under operating leases expiring at various dates through fiscal year 2023. Included in occupancy expense are lease and rental expenses of \$18,956 and \$5,721 for the years ended June 30, 2020 and 2019, 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:

2021	\$ 5,718,588
2022	3,506,687
2023	3,169,943
2024	2,219,428
2025	1,350,138
Thereafter	<u>3,139,432</u>
	\$ <u>19,104,216</u>

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. The Organization recognized an expense of \$732,835 and \$668,799 related to the plan for the years ended June 30, 2020 and 2019, 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 \$0 and \$70,017 to the plan during the years ended June 30, 2020 and 2019, respectively.

The Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(f). The Organization contributed \$100,000 and \$81,500 to the plan during the years ended June 30, 2020 and 2019, respectively.

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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.

Management is currently unable to accurately forecast the future financial impact on the Organization resulting from the Coronavirus (COVID-19) pandemic, which, among other things, could impact the quantity of clients on a forward looking basis. Since the pandemic, the Organization has experienced increased costs in maintaining social distancing, personal protective equipment, cleaning costs and unemployment expense. The effects of the pandemic could impact the future results of operations. Based on information available as of the date of this report, management expects to see a decrease in revenues from schools and day habilitation services. At this time, management does not expect COVID-19 to have a materially adverse effect on the Organization's operations.

Note 16 - Subsequent Event

Subsequent to year end, the Organization purchased property at 1 - 2 Commerce Way, Norwood Massachusetts for approximately \$6,000,000 that was financed with the 2020 Project Bond.

Supplemental Information

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development Direct Programs:				
Supportive Housing for Persons with Disabilities - Capital Advances	NA	14.181	\$ -	\$ 1,330,800
Supportive Housing for Persons with Disabilities - Rental Assistance	NA	14.181	-	80,455
Total Department of Housing and Urban Development Direct Programs			<u>-</u>	<u>1,411,255</u>
Department of Defense Pass-Through Program from:				
University of Rochester				
Military Medical Research and Development	GR51059S	12.420	-	247,381
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	-	25,454
University of Oregon				
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	H3265130004	84.326	-	106,783
Total Department of Education Pass-Through Programs			<u>-</u>	<u>132,237</u>
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; 7057-2112	10.555	-	194,556
Total Department of Agriculture, Food and Nutrition Service Pass-Through Program			<u>-</u>	<u>194,556</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,985,429</u>

THE MAY INSTITUTE, INC. AND AFFILIATES

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

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, 2020. 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.

Reporting Under Government Auditing Standards



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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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 11, 2020.

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) as a basis for designing 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 consolidated financial statements. 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.

Mayer Hoffman McCann P.C.

December 11, 2020
Boston, Massachusetts

Reporting Under the Uniform Guidance



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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, 2020. 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 statutes, 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, 2020.

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.

Mayer Hoffman McCann P.C.

December 11, 2020
Boston, Massachusetts

THE MAY INSTITUTE, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

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? | No |
| 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? | No |
| 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:

CFDA Number

14.181

Name of Federal Program or Cluster

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 |

THE MAY INSTITUTE, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section 2

Consolidated Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.