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

The May Institute, Inc. and Affiliates

June 30, 2021 and 2020



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

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#### Mayer Hoffman McCann P.C.

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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, 2021 and 2020, 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, 2021 and 2020, 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

#### 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 8, 2021 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 8, 2021

Boston, Massachusetts

Mayer Hayeman McCann P.C.

# Consolidated Statements of Financial Position

#### June 30,

Assets		2021		2020
A33613				
Current assets:				
Cash and cash equivalents	\$	9,034,588	\$	6,022,031
Custodial funds		1,090,018		837,539
Escrow deposits		165,878		160,804
Accounts receivable, net Grants receivable		14,971,248 883,488		15,458,475
		003,400		361,156 10,000
Pledges receivable, net Prepaid expenses		836,501		789,363
Investments		13,184,807		8,949,970
	-		-	
Total current assets	-	40,166,528	-	32,589,338
Assets whose use is limited or restricted:				
Board designated investments	_	1,203,071	_	1,065,422
Property, plant and equipment, net		37,131,831		30,376,901
Other assets:				
Deposits		475,112		469,351
Other assets		2,193,855		1,529,546
	-		_	
Total other assets	-	2,668,967	-	1,998,897
Total assets	\$ _	81,170,397	\$ _	66,030,558
Liabilities and Net Assets				
Current liabilities:				
Current maturities of long-term debt	\$	488,905	\$	488,308
Current portion of deferred payroll taxes	*	1,827,160	*	-
Accounts payable		2,224,301		1,666,452
Accrued expenses		6,680,034		7,583,590
Refundable advances		1,108,314		1,108,314
Other current liabilities	_	2,401,091	_	1,293,198
Total current liabilities		14,729,805		12,139,862
Long-term debt, net of current maturities		28,855,480		21,585,074
Deferred payroll taxes		1,827,160		1,232,880
Other liabilities	_	2,746,660	_	2,218,754
Total liabilities		48,159,105		37,176,570
	-	,,	_	.,,
Net assets:		04 000 00:		07.407.47.
Without donor restrictions		31,662,621		27,465,174
With donor restrictions	-	1,348,671	-	1,388,814
Total net assets	-	33,011,292	-	28,853,988
Total liabilities and net assets	\$ _	81,170,397	\$_	66,030,558

#### **Consolidated Statement of Activities**

Year Ended June 30, 2021 (with comparative totals for 2020)

			2021		2020
	Without		With		
	Donor		Donor		
	Restrictions		Restrictions	Total	Total
Revenues, other support, gains and losses:					
Tuition	\$ 59,795,205	\$	- \$	59,795,205	\$ 62,074,225
Contract revenue	55,970,257		-	55,970,257	54,094,353
Third-party fees	12,897,499		-	12,897,499	14,504,629
Consumer revenue	3,144,486		-	3,144,486	3,862,598
Other program revenue	972,228		-	972,228	806,469
Contributions, grants and subsidies	1,568,088		10,450	1,578,538	818,152
Consulting and management services	440,957		-	440,957	672,070
Investment return, net	1,356,563		-	1,356,563	450,785
Loss on sale of equipment	-		-	-	(3,229)
Loss on deferred financing costs	-		-	-	(294,665)
Other sources	870,239		-	870,239	200,637
Net assets released from restrictions	50,593	-	(50,593)		 
Total revenues, other support, gains and losses	137,066,115	-	(40,143)	137,025,972	 137,186,024
Expenses:					
The May Institute, Inc. program services:					
Educational Services	48,468,618		-	48,468,618	48,528,552
Adult Residential and Day Services	55,873,299		-	55,873,299	58,203,844
Home, School & Center Based Services	9,249,615		-	9,249,615	9,401,360
Other programs	1,783,640		-	1,783,640	942,356
Bay School program services	4,121,876		-	4,121,876	5,100,546
May International LLC program services	-		_	-	310,521
National Autism Center, Inc. program services	55,951		-	55,951	65,986
Greater Springfield Residences, Inc. program services	95,314		-	95,314	73,486
May-West Roxbury Residences, Inc. program services	75,232	_		75,232	 60,478
Total program service expenses	119,723,545		-	119,723,545	122,687,129
Management and general	12,827,738		-	12,827,738	13,900,769
Fundraising	317,385	-		317,385	 426,639
Total expenses	132,868,668	-	<u>-</u>	132,868,668	 137,014,537
Change in net assets	4,197,447		(40,143)	4,157,304	171,487
Net assets, beginning of year	27,465,174	_	1,388,814	28,853,988	 28,682,501
Net assets, end of year	\$ 31,662,621	\$	1,348,671 \$	33,011,292	\$ 28,853,988

# **Consolidated Statement of Activities**

#### Year Ended June 30, 2020

	Without Donor Restrictions		With Donor Restrictions		Total
Revenues, other support, gains and losses:					
Tuition	\$ 62,074,225	\$	-	\$	62,074,225
Contract revenue	54,094,353		-		54,094,353
Third-party fees	14,504,629		-		14,504,629
Consumer revenue	3,862,598		-		3,862,598
Other program revenue	806,469		-		806,469
Contributions, grants and subsidies	774,671		43,481		818,152
Consulting and management services	672,070		-		672,070
Investment return, net	450,785		-		450,785
Loss on sale of equipment	(3,229)		-		(3,229)
Loss on deferred financing costs	(294,665)		-		(294,665)
Other sources	200,637		-		200,637
Net assets released from restrictions	70,217		(70,217)	_	
Total revenues, other support, gains and losses	137,212,760		(26,736)	-	137,186,024
Expenses:					
The May Institute, Inc. program services:					
Educational Services	48,528,552		-		48,528,552
Adult Residential and Day Services	58,203,844		-		58,203,844
Home, School & Center Based Services	9,401,360		-		9,401,360
Other programs	942,356		-		942,356
Bay School program services	5,100,546		-		5,100,546
May International LLC program services	310,521		-		310,521
National Autism Center, Inc. program services	65,986		-		65,986
Greater Springfield Residences, Inc. program services	73,486		-		73,486
May-West Roxbury Residences, Inc. program services	60,478			_	60,478
Total program service expenses	122,687,129		-		122,687,129
Management and general	13,900,769		-		13,900,769
Fundraising	426,639			_	426,639
Total expenses	137,014,537	-		_	137,014,537
Change in net assets	198,223		(26,736)		171,487
Net assets, beginning of year	27,266,951		1,415,550	-	28,682,501
Net assets, end of year	\$ 27,465,174	\$	1,388,814	\$ _	28,853,988

#### Consolidated Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

		Educational Services		Adult Residential and Day Services	Home, School & Center Based Services	Other Programs	Bay School	In	May ternational LLC	National Autism Center, Inc.	Balance Forward
Salaries and wages	\$	33,359,032 \$	\$	36,517,300	\$ 6,837,908	\$ 890,409	\$ 2,432,924	\$	- \$	25,338	\$ 80,062,911
Employee benefits and payroll taxes		6,736,246		7,922,139	1,395,760	153,087	633,162		-	4,001	16,844,395
Professional fees and contracted services		1,087,256		1,061,022	145,727	306,704	347,937		-	205	2,948,851
Occupancy		3,808,209		5,627,955	417,755	315,987	587,248		-	4,033	10,761,187
Supplies		1,036,562		1,108,420	120,602	48,679	31,740		-	4,708	2,350,711
Transportation		459,640		1,447,936	32,422	3,877	20,639		-	-	1,964,514
Dietary expense		564,431		1,102,579	4,222	1,330	2,568		-	-	1,675,130
Interest expense and amortization		210,047		164,428	10,752	11,673	-		-	1,823	398,723
Depreciation		757,556		573,027	55,200	34,258	27,710		-	15,117	1,462,868
Other	_	449,639	_	348,493	 229,267	 17,636	 37,948	_		726	 1,083,709
	\$_	48,468,618 \$	\$ <u></u>	55,873,299	\$ 9,249,615	\$ 1,783,640	\$ 4,121,876	\$	\$	55,951	\$ 119,552,999

#### Consolidated Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

									Suppo	ort :	Services	_			
		Balance Forward	Greater Springfield Residences, Inc	c.	May-West Roxbury Residences, Inc.		Total Program Services		Management and General		Fundraising	-	2021 Total Expenses		2020 Total Expenses
Salaries and wages	\$	80,062,911	\$ 18,255	. :	\$ 10,825	\$	80,091,991	\$	8,003,259	\$	121,476	\$	88,216,726	\$	92,539,735
Employee benefits and payroll taxes		16,844,395	-		-		16,844,395		1,846,434		27,613		18,718,442		19,642,976
Professional fees and contracted services		2,948,851	1,251		2,124		2,952,226		550,319		7,347		3,509,892		2,619,228
Occupancy		10,761,187	49,754		31,225		10,842,166		705,556		6,983		11,554,705		10,481,284
Supplies		2,350,711	-		-		2,350,711		184,283		12,999		2,547,993		2,534,323
Transportation		1,964,514	-		-		1,964,514		359,612		53		2,324,179		2,593,004
Dietary expense		1,675,130	-		-		1,675,130		13,882		-		1,689,012		1,873,397
Interest expense and amortization		398,723	-		-		398,723		177,847		-		576,570		1,058,021
Depreciation		1,462,868	26,019		31,023		1,519,910		507,902		6,090		2,033,902		2,061,283
Other		1,083,709	35		35	_	1,083,779	_	478,644		134,824	_	1,697,247	_	1,611,286
	\$_	119,552,999	\$95,314	_ ;	\$ 75,232	\$	119,723,545	\$	12,827,738	\$	317,385	\$_	132,868,668	\$	137,014,537

# Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

		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 and amortization		344,647		232,221		18,649		14,811		-		-		2,311		612,639
Depreciation		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

# Consolidated Statement of Functional Expenses

#### Year Ended June 30, 2020

					Suppor	t Services	
	Balance Forward	Greater Springfield Residences, Inc.	May-West Roxbury Residences, Inc.	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 84,207,366		\$ - \$	84,207,366	\$ 8,099,914	\$ 232,455 \$	92,539,735
Employee benefits and payroll taxes	17,783,085	-	-	17,783,085	1,807,673	52,218	19,642,976
Professional fees and contracted services	1,615,793	926	926	1,617,645	995,371	6,212	2,619,228
Occupancy	9,701,61	46,485	28,492	9,776,588	698,425	6,271	10,481,284
Supplies	2,308,239	21	-	2,308,260	205,950	20,113	2,534,323
Transportation	2,168,090	-	-	2,168,090	424,073	841	2,593,004
Dietary expense	1,825,936	-	-	1,825,936	46,937	524	1,873,397
Interest expense and amortization	612,639	-	-	612,639	445,382	-	1,058,021
Depreciation	1,475,111	26,019	31,023	1,532,153	521,985	7,145	2,061,283
Other	855,295	35	37	855,367	655,059	100,860	1,611,286
	\$ <u>122,553,168</u>	\$ 73,486	\$ 60,478	122,687,129	\$ 13,900,769	\$ 426,639 \$	137,014,537

#### Consolidated Statements of Cash Flows

#### Years Ended June 30,

		2021		2020
Cash flows from operating activities:				
Change in net assets	\$	4,157,304	\$	171,487
Adjustments to reconcile change in net assets				
to net cash provided by operating activities:				
Depreciation		2,033,902		2,061,283
Amortization on deferred financing costs		9,296		25,985
Provision for uncollectible accounts		358,769		206,150
Net realized and unrealized gain on investments		(1,238,324)		(265,013)
Loss on sale of property, plant and equipment		-		3,229
Loss on deferred financing costs		-		294,665
Increase (decrease) in cash resulting from a change in:				
Accounts receivable		128,458		(1,818,328)
Grants receivable		(522,332)		(361,156)
Pledges receivable		10,000		22,735
Prepaid expenses		(47,138)		(458,185)
Deposits		(5,761)		30,986
Other assets		(664,309)		(333,358)
Accounts payable		557,849		(133,310)
Accrued expenses		(903,556)		3,076,115
Refundable advances		-		1,108,314
Other current liabilities		1,107,893		1,191,314
Deferred payroll taxes		2,421,440		1,232,880
Other liabilities	-	527,906	-	884,633
Net cash provided by operating activities	-	7,931,397	-	6,940,426
Cash flows from investing activities:				
Purchases of property, plant and equipment		(8,788,832)		(1,159,579)
Purchases of investments		(2,996,513)		(177,147)
Increase in board designated investments	-	(137,649)	-	(41,597)
Net cash used in investing activities	-	(11,922,994)	-	(1,378,323)
Cash flows from financing activities:				
Advances on line of credit		-		13,600,000
Payments on line of credit		-		(13,600,000)
Repayments of long-term debt		(488,285)		(1,345,222)
Proceeds from long-term debt		7,749,992		266,835
Deferred financing costs	-		-	(283,122)
Net cash provided by (used in) financing activities		7,261,707	-	(1,361,509)
Net increase in cash and cash equivalents		3,270,110		4,200,594
Cash and cash equivalents and restricted cash, beginning of year	-	7,020,374	-	2,819,780
Cash and cash equivalents and restricted cash, end of year	\$	10,290,484	\$	7,020,374
Cash and cash equivalents Custodial funds Escrow deposits	\$	9,034,588 1,090,018 165,878	\$	6,022,031 837,539 160,804
Total cash, cash equivalents and restricted cash	\$	10,290,484	\$	7,020,374
, .	•		-	
Supplemental Disclosure of Cash Flow Information:	_			
Cash paid during the year for interest	\$	687,450	\$	1,021,311
Amounts included in long-term debt related to financed property	\$	-	\$	352,000
	,			•

#### 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. Cash and cash equivalents held by investment managers are classified as investments given the potential for near term reinvestment.

#### Notes to Consolidated Financial Statements

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

#### Cash and Cash Equivalents (Continued)

The Organization maintains cash accounts with various financial institutions in excess of the federally insured limit. The Organization has not experienced any losses associated with these accounts. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

#### **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. At June 30, 2021 and 2020, the allowance for doubtful accounts was \$399,126 and \$286,683, respectively.

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.

#### Notes to Consolidated Financial Statements

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

#### Investments

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

#### 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 and exchange traded products. 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.

#### 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:

#### **Useful Lives**

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, 2021, 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.

#### 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.

#### Earned Revenue

#### 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, 2021 and 2020, there were no advances.

#### Notes to Consolidated Financial Statements

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

#### Revenue Recognition and Operations (Continued)

#### **Contributed Support**

#### 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, 2021 and 2020, there were \$1,108,314 of 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

#### Notes to Consolidated Financial Statements

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

#### Revenue Recognition and Operations (Continued)

#### **Contributed Support (Continued)**

#### Contributions, Grants and Subsidies (Continued)

have been 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, 2021 and 2020, approximately \$3,910,410 and \$1,615,715, respectively, of promised contributions have not been recognized in the accompanying consolidated statements 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.

#### 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.

#### Future Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update ("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, 2023 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.

#### Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

#### Notes to Consolidated Financial Statements

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

#### Subsequent Events

The Organization has evaluated subsequent events through November 8, 2021, 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, 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, 2021 and 2020.

The following table shows the total financial assets held by the Organization that are available within one year of the statement of financial position date to meet general expenditures at June 30:

	2021		2020
Financial assets available to meet general expenditures			
over the next 12 months:			
Cash	\$ 9,034,588	\$	6,022,031
Accounts receivable, net	14,971,248		15,458,475
Pledges for general expenditure due in one year or less	-		10,000
Grants receivable	883,488		361,156
Investments not encumbered by donor or board restrictions	13,184,807	-	8,949,970
Total financial assets available to meet general			
expenditures over the next 12 months	\$ 38,074,131	\$	30,801,632

#### Notes to Consolidated Financial Statements

#### Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

	2021	2020
HUD required escrow accounts Tenant security deposits	\$ 161,586 4,292	\$ 156,207 4,597
	\$ 165,878	\$ 160,804

#### Note 5 - Concentration

The Organization provides the majority of its services through provider agreements with Medicaid, and contracts negotiated with various agencies of the Commonwealth of Massachusetts. At June 30, 2021 and 2020, one purchasing agent with the Commonwealth of Massachusetts accounted for 35% of total revenue.

At June 30, 2021 and 2020, one purchasing agent from the Commonwealth of Massachusetts accounted for 38% and 27% of accounts receivables, respectively.

#### Note 6 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling \$0 at June 30, 2021 and 2020. The gross pledges receivable balance is \$0 and \$10,000 as of June 30, 2021 and 2020, respectively.

# Notes to Consolidated Financial Statements

#### 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:

	2021		2020	
	-	Level 1	_'	Level 1
Investments included in:				
Mutual funds:				
Fixed income and bonds	\$	3,345,892	\$	4,805,558
Stock		1,343,860		2,597,151
Short-term funds	-	167,668	_	
Total mutual funds		4,857,420		7,402,709
Exchange traded products		6,417,196		2,112,884
Cash reserves		2,129,971		499,799
Common stock		983,291	-	
Total investments	\$	14,387,878	\$	10,015,392

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

		2021	2020
Interest and dividend income Realized and unrealized gains Investment expenses	\$	172,612 \$ 1,238,324 (54,373)	219,658 265,013 (33,886)
	\$_	1,356,563 \$	450,785

#### Notes to Consolidated Financial Statements

#### Note 8 - Property, Plant and Equipment, Net

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

		2021		2020
Building and improvements	\$	37,180,338	\$	37,015,663
Land		10,000,976		10,000,976
Equipment		5,859,632		5,550,673
Leasehold improvements		3,565,449		3,466,172
Furniture and fixtures		1,399,403		1,386,749
Construction in progress		8,504,480		301,213
Motor vehicles	_	52,521	_	52,521
		66,562,799		57,773,967
Less accumulated depreciation and amortization	_	29,430,968		27,397,066
	\$	37,131,831	\$	30,376,901

The majority of the costs included in construction in progress relates to 1-2 Commerce Way, Norwood Massachusetts for property purchased during the year for approximately \$6,000,000, which is expected to be placed into service in fiscal 2022. The Organization has a construction contract with a third party for which costs of approximately \$2,000,000 is remaining on that contract and is expected to be incurred in fiscal 2022.

#### 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% at June 30, 2021 and 2020. The outstanding borrowings are \$0 at June 30, 2021 and 2020.

# Notes to Consolidated Financial Statements

# Note 10 - Long-term Debt

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

	2021	2020
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.	\$ 12,649,661	\$ 12,951,449
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.	7,881,315	8,067,812
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.	8,368,827	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	0,500,021	010,000
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
Less current portion	29,613,207 488,905	22,351,500 488,308
Less deferred financing costs, net	268,822	278,118
	\$ 28,855,480	\$ 21,585,074

#### 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,

2022	\$	488,905
2023		775,590
2024		794,463
2025		818,296
2026		840,556
Thereafter	_	25,895,397

\$ 29,613,207

Escrow deposits are required to be maintained (see Note 4). The bonds are a general obligation of the Organization and are secured by certain 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 years ended June 30, 2021 and 2020 amounted to \$9,296 and \$775, respectively.

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, 2021 and 2020 on the bonds amounted to \$0 and \$16,642, respectively. Amortization expense for the years ended June 30, 2021 and 2020 on the Real Estate Line of Credit amounted to \$0 and \$8,568, 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.

#### 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:

	2021	2020
Operating funds  Net investment in property, plant and equipment	\$ 6,456,646	\$ 6,972,719
Escrow deposits	\$ 165,878 <b>31,662,621</b>	\$ 160,804 <b>27,465,174</b>

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

		2021		2020
Capital advances from HUD	\$	1,330,800	\$	1,330,800
Services to children and families		-		38,593
Trustee awards at the discretion of Board members		16,871		18,421
Amount to be held in perpetuity		1,000	_	1,000
	\$_	1,348,671	\$	1,388,814

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:

		2021		2020
Services to children and families Trustee awards at the discretion of Board members	\$ _	38,593 12,000	\$ 	61,217 9,000
	\$_	50,593	\$_	70,217

#### 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 \$5,386.540 and \$5,367,961 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 of \$59,005 and \$46,801, 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 \$1,039,651 and \$969,454 for the years ended June 30, 2021 and 2020, 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 \$105,525 and \$96,055 for the years ended June 30, 2021 and 2020, 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 \$24,114 and \$18,956 for the years ended June 30, 2021 and 2020, 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:

2022	\$	6,089,917
2023		4,275,306
2024		3,092,155
2025		2,275,901
2026		1,366,025
Thereafter	_	2,407,635

\$ 19,506,939

#### 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 \$754,162 and \$732,835 related to the plan for the years ended June 30, 2021 and 2020, 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 \$56,118 and \$0 to the plan during the years ended June 30, 2021 and 2020, 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 to the plan during the years ended June 30, 2021 and 2020.

#### 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.

#### Note 16 - Support Associated with COVID-19

#### Federal Grants

The Organization applied for funding associated with the Provider Relief Program in November 2020. In March 2021, funding in the amount of approximately \$1,650,000 was received. The award stipulated that the funds could be used for COVID-19 related costs including personnel, personnel retention costs and other costs incurred prior to June 30, 2022. Such award is expected to be recognized in revenue in fiscal 2022 as costs are incurred and is included in current liabilities on the consolidated statements of financial position.

During 2021, the Organization was a beneficiary of \$1,006,100 in Coronavirus Relief Fund assistance received through the Commonwealth of Massachusetts Early Education and Care department of which \$847,858 was used in the current year to cover additional costs incurred as a result of COVID-19 for the operations of its residential education programs. At June 30, 2021, \$158,242 is included in current liabilities on the consolidated statements of financial position to be used for COVID-19 related costs.

# Forward Impact

The Organization expects continued impact from COVID-19 associated with revenues and costs, however, the level of impact is uncertain and will be driven by the trends of the pandemic, consumer behavior, regulatory requirements, along with other factors. The remaining funding as noted above will be available to mitigate such impact, however, the impacts may be greater than the funding available.



#### Consolidated Schedule of Expenditures of Federal Awards

#### Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development Direct Programs:				
Supportive Housing for Persons with Disabilities - Capital Advances	NA NA	14.181	\$ - \$	, ,
Supportive Housing for Persons with Disabilities - Rental Assistance	NA	14.181		77,381
Total Department of Housing and Urban Development Direct Programs				1,408,181
Department of Defense Pass-Through Program from: University of Rochester				
Military Medical Research and Development	GR51059S	12.420		328,427
Total Department of Defense Pass-Through Program				328,427
Department of Education Direct Program:				
Research in Special Education	NA	84.324	298,386	498,579
Total Department of Education Direct Program			298,386	498,579
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		3,337
University of Oregon Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	2820701	84.326	_	118,302
Total Department of Education Pass-Through Programs	2020701	01.020		121.639
Total Department of Education Direct and Pass-Through Programs			298,386	620,218
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		202,602
Total Department of Agriculture, Food and Nutrition Service Pass-Through Progra	am			202,602
Department of Health and Human Services Pass-Through Program from: Commonwealth of Massachusetts				
Executive Office of Health and Human Services	45400404	00.000		007.000
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	45120194	93.323	<del>-</del>	627,896
Total Department of Health and Human Services Pass-Through Program				627,896
Total Expenditures of Federal Awards			\$	3,187,324

# Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

#### 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, 2021. 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 3 - Supportive Housing for Persons with Disabilities

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



#### Mayer Hoffman McCann P.C.



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

Board of 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, 2021, 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 8, 2021.

#### 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.

November 8, 2021

Boston, Massachusetts

Mayer Hayeman McCann P.C.







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

Board of 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, 2021. 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, 2021.

#### 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 8, 2021 Boston, Massachusetts

Mayu Hayeman Melann P.C.

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# Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

# 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?

#### **Federal Awards**

- 1. Internal control over major federal programs:
  - a. Material weaknesses identified?b. Significant deficiencies identified?None Reported
- Type of auditors' report issued on compliance for major federal programs:
   Unmodified
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
- 4. Identification of major federal programs:

#### Assistance Listing Number Name of Federal Program or Cluster

14.181 Supportive Housing for Persons with Disabilities

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

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

# Section 2

**Consolidated Financial Statement Findings** 

None noted.

Section 3

**Federal Award Findings and Questioned Costs** 

None noted.