Consolidated Financial Statements

The May Institute, Inc. and Affiliates

June 30, 2012 and 2011

Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Financial Statements

Table of Contents

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MHM
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Independent Auditors' Report

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

We have audited the accompanying consolidated statement of financial position of The May Institute, Inc. and Affiliates (the "Organization") as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's summarized financial information has been derived from the Organization's fiscal year 2011 consolidated financial statements, and in our report dated December 9, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The May Institute, Inc. and Affiliates as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

December 10, 2012
Boston, Massachusetts

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30, 2012	2011
Assets		
Cash and cash equivalents	$ 5,126,766	$ 6,216,771
Escrow deposits	1,863,132	1,851,500
Accounts receivable, net of allowance for doubtful accounts	9,997,373	7,955,621
Pledges receivable, net of allowance of uncollectable pledges	278,542	229,223
Prepaid and deferred expenses	140,176	176,666
Investments	5,705,712	5,506,549
Deposits	403,356	405,813
Deferred costs, less accumulated amortization	699,584	1,018,489
Property, plant and equipment, at cost, less accumulated depreciation and amortization	38,504,622	38,730,944
Construction in progress	126,574	454,561
Total assets	**$ 62,845,837**	**$ 62,546,137**
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 1,210,606	$ 1,217,143
Accrued expenses	6,213,104	5,109,345
Deferred revenue	648,562	672,001
Third-party payor settlements	-	119,435
Estimated third-party payor liabilities	30,054	30,054
Line-of-credit	2,990,372	3,740,372
Mortgage notes payable	2,078,725	1,764,186
Bonds payable, net of unamortized discount	28,426,397	29,082,313
Total liabilities	**41,597,820**	**41,734,849**
Net assets:		
Unrestricted	19,605,513	19,229,298
Temporarily restricted	1,641,504	1,580,990
Permanently restricted	1,000	1,000
Total net assets	**21,248,017**	**20,811,288**
Total liabilities and net assets	**$ 62,845,837**	**$ 62,546,137**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended June 30, 2012
(With Summarized Financial Information for the year ended June 30, 2011)

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*2012 Total*	*2011 Total*
Revenues, gains, losses and other support:					
Tuition	$ 35,205,657	$ -	$ -	$ 35,205,657	$ 34,387,336
Contract revenue	54,235,217	-	-	54,235,217	52,562,857
Consulting and management services	4,136,039	-	-	4,136,039	3,712,253
Third-party fees - net of free services and contractual adjustments	11,549,116	-	-	11,549,116	9,797,715
Consumer revenue	3,740,717	-	-	3,740,717	3,790,094
Other program revenue	1,109,467	-	-	1,109,467	1,086,057
Contributions, grants and subsidies	284,655	303,343	-	587,998	2,185,018
Interest income	184,084	-	-	184,084	178,881
Net gains on investment transactions	42,000	-	-	42,000	486,792
Loss on interest rate swap agreement	-	-	-	-	(149,862)
Gains on sales of property and equipment	258,006	-	-	258,006	429,797
Other sources	388,039	-	-	388,039	305,131
Net assets released from restrictions	242,829	(242,829)	-	-	-
Total revenues, gains, losses and other support	**111,375,826**	**60,514**	**-**	**111,436,340**	**108,772,069**
Expenses:					
The May Institute, Inc. Program Services:					
Educational Services	29,191,577	-	-	29,191,577	27,885,161
Residential and Day Services	50,987,986	-	-	50,987,986	48,274,976
Consulting and Home Based Services	6,923,574	-	-	6,923,574	5,608,304
Special Projects	952,749	-	-	952,749	1,010,181
Behavioral Health Services	6,419,680	-	-	6,419,680	6,362,265
Greater Springfield Residences, Inc. Program Services	74,594	-	-	74,594	75,342
The May-West Roxbury Residences, Inc. Program Services	73,244	-	-	73,244	68,059
The Bay School Program Services	3,417,912	-	-	3,417,912	3,268,871
National Autism Center, Inc. Program Services	146,464	-	-	146,464	285,049
Total program services	**98,187,780**	**-**	**-**	**98,187,780**	**92,838,208**
Management and general	12,577,928	-	-	12,577,928	12,565,963
Fundraising	233,903	-	-	233,903	280,908
Total expenses	**110,999,611**	**-**	**-**	**110,999,611**	**105,685,079**
Change in net assets	**376,215**	**60,514**	**-**	**436,729**	**3,086,990**
Net assets at beginning of year	19,229,298	1,580,990	1,000	20,811,288	17,724,298
Net assets at end of year	**$ 19,605,513**	**$ 1,641,504**	**$ 1,000**	**$ 21,248,017**	**$ 20,811,288**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2012

	The May Institute, Inc.					
	Educational Services	*Residential and Day Services*	*Consulting and Home Based Services*	*Special Projects*	*Behavioral Health Services*	*Balance Forward*
Salaries and wages	$ 19,762,728	$ 32,773,055	$ 5,048,422	$ 668,841	$ 3,842,448	$ 62,095,494
Employee benefits and payroll taxes	3,866,966	6,840,283	985,094	140,716	695,781	12,528,840
Total payroll and employee benefits	23,629,694	39,613,338	6,033,516	809,557	4,538,229	74,624,334
Professional fees and contracted services	293,725	581,896	109,994	19,157	51,617	1,056,389
Occupancy	2,242,074	4,920,227	222,687	7,331	993,228	8,385,547
Supplies	523,672	901,373	108,499	44,731	181,096	1,759,371
Transportation	410,642	2,345,760	262,282	16,387	229,013	3,264,084
Dietary expense	518,750	1,164,228	9,749	409	210,438	1,903,574
Interest expense	618,016	541,178	-	-	17,019	1,176,213
Depreciation and amortization	665,715	567,044	38,678	15,525	66,072	1,353,034
Other	289,289	352,942	138,169	39,652	132,968	953,020
Total expenses	**$ 29,191,577**	**$ 50,987,986**	**$ 6,923,574**	**$ 952,749**	**$ 6,419,680**	**$ 94,475,566**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses (Continued)

Year Ended June 30, 2012

	Balance Forward	*Greater Springfield Residences, Inc.*	*The May-West Roxbury Residences, Inc.*	*The Bay School*	*National Autism Center*	*Total Program Services*	*Management and General*	*Fundraising*	*Total Expenses*
Salaries and wages	$ 62,095,494	$ 14,637	$ 9,067	$ 1,991,990	$ 118,026	$ 64,229,214	$ 6,333,401	$ 126,630	$ 70,689,245
Employee benefits and payroll taxes	12,528,840	3,863	2,392	529,364	18,602	13,083,061	1,760,085	43,408	14,886,554
Total payroll and employee benefits	74,624,334	18,500	11,459	2,521,354	136,628	77,312,275	8,093,486	170,038	85,575,799
Professional fees and contracted services	1,056,389	4,888	-	157,922	-	1,219,199	1,026,292	26,155	2,271,646
Occupancy	8,385,547	27,482	25,390	426,087	-	8,864,506	715,250	1,279	9,581,035
Supplies	1,759,371	-	-	60,167	-	1,819,538	290,552	12,380	2,122,470
Transportation	3,264,084	-	-	151,804	-	3,415,888	613,968	496	4,030,352
Dietary expense	1,903,574	-	-	24,739	-	1,928,313	36,197	1,109	1,965,619
Interest expense	1,176,213	-	-	-	-	1,176,213	576,382	-	1,752,595
Depreciation and amortization	1,353,034	23,724	28,917	47,243	-	1,452,918	560,471	1,253	2,014,642
Other	953,020	-	7,478	28,596	9,836	998,930	665,330	21,193	1,685,453
Total expenses	**$ 94,475,566**	**$ 74,594**	**$ 73,244**	**$ 3,417,912**	**$ 146,464**	**$ 98,187,780**	**$ 12,577,928**	**$ 233,903**	**$ 110,999,611**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years Ended June 30,

	2012	*2011*
Cash flows from operating activities:		
Change in net assets	$ 436,729	$ 3,086,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,014,641	1,968,192
Loss on unamortized deferred costs	268,663	-
Non-cash interest expense	2,170	2,170
Net gains on investment transactions	(42,000)	(486,792)
Donated property	-	(1,564,848)
Loss on interest rate swap agreement	-	149,862
Loss on disposal of assets	493	6,772
Change in:		
Accounts receivable	(2,041,752)	(379,166)
Pledges receivable	(49,319)	(229,223)
Prepaid and deferred expenses	36,490	(113,576)
Deposits	2,457	13,288
Deferred costs	-	(303,500)
Accounts payable	(6,538)	149,991
Accrued expenses	1,103,759	257,223
Deferred revenue	(23,439)	(33,523)
Third-party payor settlements and estimated third-party payor liabilities	(119,435)	(511,500)
Net cash provided by operating activities	**1,582,919**	**2,012,360**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,412,752)	(6,817,445)
Proceeds from investment sales	5,339,174	1,174,880
Net purchases of investments	(5,496,337)	(1,324,333)
Change in escrow deposits	(11,632)	78,784
Net cash used in investing activities	**(1,581,547)**	**(6,888,114)**
Cash flows from financing activities:		
Repayments of mortgage notes payable	314,539	(4,735,006)
Proceeds from bonds payable	-	16,000,000
Repayments of bonds payable	(655,916)	(5,567,960)
Repayment of interest rate swap	-	(1,075,000)
Net advance (payments) on line-of-credit	(750,000)	310,262
Net cash provided by (used in) financing activities	**(1,091,377)**	**4,932,296**
Net increase (decrease) in cash and cash equivalents	**(1,090,005)**	**56,542**
Cash and cash equivalents at beginning of year	6,216,771	6,160,229
Cash and cash equivalents at end of year	**$ 5,126,766**	**$ 6,216,771**
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,757,772	$ 1,625,416

See accompanying notes to the consolidated financial statements.

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

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, behavior disorders, and mental illness.

A summary of the Organization's significant accounting policies follows:

Basis of Consolidation

The consolidated financial statements include the accounts of The May Institute, Inc. ("May"), Greater Springfield Residences, Inc., The May-West Roxbury Residences, Inc., The Bay School, and National Autism Center, Inc. These corporations are under common management and control. All significant intercompany account balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Classification and Reporting of Net Assets

The Organization classifies net assets into three net asset classes according to donor-imposed restrictions. A description of the three net asset classes follows:

- *Unrestricted net assets* represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

- *Temporarily restricted net assets* represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

- *Permanently restricted net assets* represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

The Organization defines cash equivalents as short-term highly liquid investments with original maturities of three months or less. Cash equivalents held by investment managers are considered part of investments given the expectation of near term reinvestment.

The Organization maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Escrow Deposits

Escrow deposits represent the debt service and debt reserve funds related to tax-exempt bond issuances and escrow accounts required to be maintained by the U.S. Department of Housing and Urban Development (HUD) and tenant security deposits. These amounts are carried at fair value as described later in this section.

Accounts Receivable

Accounts receivable are carried at their net realizable value. Accounts receivable consists mainly of accounts receivable from third-party payor sources and grants and contracts receivable from state and local governments. Accounts receivable where a third-party payor is responsible for paying the amount are carried at the original charge for the service provided. Consumer receivables due directly from the consumers are carried at the original charge for services provided. Grants and contracts receivable are carried at original invoice amount.

Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering the services provided and the current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as an increase to the allowance for doubtful accounts when received. Interest is not charged on receivables. Accounts receivable are reported in the consolidated financial statements net of an allowance for doubtful accounts totaling $350,528 and $455,756 at June 30, 2012 and 2011, respectively.

Investments and Investment Income

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues, gains, losses and other support.

Amortization

Deferred costs, which consists of loan origination costs, capitalized interest costs, and bond issuance costs are being amortized over the life of the loan on a straight-line basis. Bond issuance costs include the costs incurred in connection with obtaining long-term bond financing, consisting primarily of legal fees and underwriting costs. Amortization expense for each of the next five years will amount to $43,536 per year, and $481,904 to be amortized thereafter.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost except for contributed assets, which are effectively recorded using a Level 3 market approach.

Depreciation and amortization of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings and building improvements	20 - 27.5 years
Leasehold improvements	5 years - term of lease whichever is greater
Furniture and fixtures	3 - 7 years
Equipment	3 - 10 years
Motor vehicles	3 - 5 years

Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Construction in Progress

Costs associated with the construction of major projects are accumulated until completion. The completed asset is then depreciated over its useful life once it has been placed in service.

Revenue Recognition

All of the Organization's students and consumers are primarily supported by state municipalities, Massachusetts and Connecticut Departments of Developmental Services, other state agencies, third-party insurance, and Massachusetts and Florida Medicaid. The Organization is subject to the regulations and rate formulas of the various funding agencies. Revenue is being recorded at the Organization's rates of reimbursement as certified by the applicable funding agencies.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under the Operational Services Division regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and are reported as a liability.

Interest Rate Swap Agreement

The Organization reported the value of its interest rate swap agreement at fair value. Fair value was determined as per the fair value policies as described later in this section. The swap agreement was terminated during the year ended June 30, 2011 during the refinancing of the Series 2006 bonds, and, as such, no asset or liability was reported as of June 30, 2012 or 2011.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recorded at fair value in the period received or initially pledged. Fair value is determined at the original date of recordation as per Note 5 and as described later on in these notes using Level 2 fair value methods. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activities. On occasion, the Organization receives certain in-kind contributions which are not recorded as revenue and expenses.

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of donated assets. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with stipulations are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a nonfinancial asset or would typically need to be purchased, require specialized skills, and be provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or space is received.

Fair Value Measurements

The Organization reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include the Organization's investment accounts. The Organization does not have any non-recurring measures. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards require the Organization to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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 observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Organization's financial instruments, see Note 5 - Fair Value of Financial Instruments.

Income Tax Status

May, Greater Springfield Residences, Inc., May-West Roxbury Residences, Inc., The Bay School and National Autism Center are recognized under Section 501(c)(3) of the Internal Revenue Code and are generally exempt from Federal and state income taxes. Accordingly, no provision for income taxes is made in the consolidated financial statements.

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 as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdictions. The Organization's Federal and state tax returns are generally open for examination for three years following the date filed.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements include estimates for third-party payor settlements, accrued workers compensation, allowances for uncollectible accounts receivable, allowance for uncollectable pledges receivable, and estimated useful lives for property, plant and equipment. Actual results could differ from those estimates.

Allocation of Functional Expense

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Costs have been allocated to functional classifications based on percentage of effort, usage, square footage and other criteria.

Advertising

The Organization expenses advertising costs as incurred.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 financial statement presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 10, 2012, the date the consolidated financial statements were authorized to be issued.

Note 2 - Escrow Deposits

Escrow deposits consist of the following at June 30:

		2012		2011
Debt service reserve fund	$	1,185,216	$	1,184,962
Debt service fund		614,956		601,928
HUD required escrow accounts		61,364		56,043
Capitalized interest fund		-		6,969
Tenant security deposits		1,596		1,598
	$	**1,863,132**	**$**	**1,851,500**

Note 3 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling $88,171 and $43,222 at June 30, 2012 and 2011, respectively. The pledges receivable balance is expected to be collected within one year.

Note 4 - Investments

The fair value of investments consists of the following at June 30:

		2012		2011
Cash and cash equivalents	$	111,671	$	109,382
Mutual funds:				
Stock funds		1,990,340		1,926,669
Fixed income		1,793,998		1,513,267
Bond funds		1,414,598		1,247,375
Debt securities		391,781		601,617
Stocks		3,324		108,239
	$	**5,705,712**	**$**	**5,506,549**

Note 4 - Investments (Continued)

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

	2012	2011
Interest and dividends	$ 157,034	$ 149,453
Net realized gains	107,509	136,395
Net unrealized (losses) gains	(65,509)	350,397
Net investment income	**$ 199,034**	**$ 636,245**

Note 5 - Fair Value of Financial Instruments

The valuation of the Organization's financial instruments using the fair value hierarchy consisted of the following at June 30, 2012:

Description	*Total*	*Level 1*	*Level 2*	*Level 3*
Assets				
Investments				
Mutual funds:				
Stock funds	$ 1,990,340	$ 1,990,340	$ -	$ -
Fixed income	1,793,998	1,793,998	-	-
Bond funds	1,414,598	1,414,598	-	-
Debt securities	391,781	391,781	-	-
Fidelity cash and cash reserves	111,671	111,671	-	-
Stocks	3,324	3,324	-	-
Subtotal investments	**5,705,712**	**5,705,712**	**-**	**-**
Escrow Deposits				
Cash and cash equivalents	115,310	115,310	-	-
U.S. treasury bills	193,986	-	193,986	-
Government bonds	1,553,836	-	1,553,836	-
Subtotal escrow deposits	**1,863,132**	**115,310**	**1,747,822**	**-**
Total assets at fair value	**$ 7,568,844**	**$ 5,821,022**	**$ 1,747,822**	**$ -**

Note 5 - Fair Value of Financial Instruments (Continued)

The valuation of the Organization's financial instruments using the fair value hierarchy consisted of the following at June 30, 2011:

Description	***Total***	***Level 1***	***Level 2***	***Level 3***
Assets				
Investments				
Mutual funds:				
Stock funds	$ 1,926,669	$ 1,926,669	$ -	$ -
Fixed income	1,513,267	1,513,267	-	-
Bond funds	1,247,375	1,247,375	-	-
Debt securities	601,617	601,617	-	-
Fidelity cash and cash reserves	109,382	109,382	-	-
Stocks	108,239	108,239	-	-
Subtotal investments	**5,506,549**	**5,506,549**	**-**	**-**
Escrow Deposits				
Cash and cash equivalents	64,610	64,610	-	-
U.S. treasury bills	15,936	-	15,936	-
Government bonds	1,770,954	-	1,770,954	-
Subtotal escrow deposits	**1,851,500**	**64,610**	**1,786,890**	**-**
Total assets at fair value	**$ 7,358,049**	**$ 5,571,159**	**$ 1,786,890**	**$ -**

Management has determined that fair value approximates carrying value for cash and cash equivalents, accounts receivable, net, prepaid and deferred expenses, deposits, accounts payable, accrued expenses, and line-of-credit, given the short-term nature of these instruments. Management has no practical or cost effective way of determining fair value for pledges receivable. The fair value of mortgage notes payable and bonds payable is believed to approximate carrying value; however, without the credit enhancements, the fair value of these instruments would be less than carrying value. Management has not computed such amounts given the cost associated with such data. Management believes that this information is not meaningful to readers given the long-term commitments from the credit enhancing partners.

Note 6 - Property, Plant and Equipment

Following is a summary of property, plant and equipment as of June 30:

	2012	***2011***
Land	$ 9,490,621	$ 9,354,363
Buildings and improvements	35,697,163	34,687,063
Leasehold improvements	3,215,729	3,006,411
Furniture and fixtures	818,628	775,607
Equipment	3,841,134	3,531,027
Motor vehicles	325,648	299,853
	53,388,923	51,654,324
Less accumulated depreciation and amortization	(14,884,301)	(12,923,380)
	$ 38,504,622	**$ 38,730,944**

Upon purchase of a previously leased facility during fiscal year 2011, certain leasehold improvements that were placed into service prior to the purchase of the property were transferred from leasehold improvements to buildings and improvements (see Note 19).

Note 7 - Construction in Progress

Construction in progress totaled $126,574 and $454,561 as of June 30, 2012 and 2011, respectively. The June 30, 2012 balance consists primarily of costs incurred for the construction of an aquatics center and a server project. The estimated remaining cost to complete the aquatics center is approximately $2,911,000 which is expected to be operational by June 2013. The estimated remaining cost to complete the server project is approximately $56,000 which is expected to be operational by October 2012. All construction in progress that was outstanding as of June 30, 2011 was placed into service as of June 30, 2012.

Note 8 - Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30, 2012 and 2011:

		2012		*2011*
Various mortgage notes payable to financial institutions in monthly installments totaling $11,281 including interest at rates ranging from 0% to 6.93% through dates ranging from 2012 to 2041. The notes are secured by real property.	$	1,335,321	$	1,020,782
Various non-interest bearing mortgage notes payable to a Housing Authority with total principal due dates ranging from October 2016 to November 2032. The notes are secured by a second mortgage on real property.		102,557		102,557
Mortgage note payable to the Facility Consolidation Fund with total principal plus interest at 0% due June 2029. This note is secured by a second mortgage on real property.		263,901		263,901
Mortgage note payable to the Facility Consolidation Fund with total principal plus interest at 0% due November 2033. This note is secured by a second mortgage on real property.		376,946		376,946
Total mortgage notes payable	**$**	**2,078,725**	**$**	**1,764,186**

Future maturities of mortgage notes payable are as follows:

Years Ending June 30,		
2013	$	84,661
2014		41,372
2015		44,509
2016		47,381
2017		50,776
Thereafter		1,810,026
Total	**$**	**2,078,725**

Note 9 - Line-of-Credit

On October 1, 2010, May changed its primary banking relationship and entered into a $5,000,000 line-of-credit agreement with the new Massachusetts based bank. As such, the Organization cancelled and repaid all outstanding balances on the $5,000,000 line-of-credit agreement with the predecessor bank. The line-of-credit expires on October 1, 2016 with the interest at the bank's prime rate (3.25% at June 30, 2012). Outstanding borrowings on this line-of-credit totaled $2,990,372 and $3,740,372 at June 30, 2012 and 2011, respectively.

Note 10 - Bonds Payable

1999 Series Bond

On September 29, 1999, the Organization closed on a $16,400,000, 30-year bond offering issued by the Massachusetts Development Finance Agency. Chittenden Trust Company serves as the trustee. Interest is payable on the bonds at rates ranging from 4% to 6%. The bonds were sold at yields ranging from 4.10% to 6.10%, which resulted in a net original issue discount of $395,095.

Under the terms of the bond, annual installments of principal are due on September 1 of each year, commencing on September 1, 2000. The annual principal installments start at $70,000 in 2000 escalating each year to $1,120,000 in 2029. Interest payments are due each March 1 and September 1 and commenced on March 1, 2000. Escrow deposits are required to be maintained (see Note 2).

The bonds are a general obligation of the Organization and secured by a subordinate lien on its gross receipts and a mortgage on its office building in Mashpee, Massachusetts. The bond agreement contains restrictive covenants concerning certain financial statement ratios.

The 1999 Series Bonds were refinanced subsequent to year end – See Note 20.

2006 Series Bond

On October 1, 2006, the Massachusetts Development Finance Agency issued a $6,500,000 Variable Rate Demand Revenue Bond for the benefit of the Organization. Sinking fund redemptions began October 1, 2007 with final maturity on October 1, 2036. The proceeds from the bonds were used to refinance debt, reimburse the Organization for building improvements previously made, purchase real estate, to fund escrows and pay certain fees related to the bonds. On October 1, 2010, these bonds were repaid in full with the proceeds of the Series 2010 bonds noted below.

The interest rate on the Series 2006 variable rate demand bonds are determined by a bond-remarketing agent, reset weekly and payable monthly, and could not exceed a rate of 10% per year. The Series 2006 carried a variable rate of 0.50% for the week ended June 25, 2011. The bonds were secured by a letter of credit that was collateralized by a mortgage on the Organization's building located in Randolph, Massachusetts. Escrow deposits were required to be maintained (see Note 2). The bond agreement contained restrictive covenants concerning certain financial statement ratios. On October 1, 2010, the letter of credit was terminated.

Note 10 - Bonds Payable (Continued)

2010 Series Bond
On October 1, 2010, Mass Development issued a 2010 Series Bond on behalf of May in the amount of $16,000,000. The purpose of this issue was to refinance the 2006 Series Bond and unwind the swap agreement (see Note 11), refinance conventional mortgage debt (see Note 8), and provide new financing for the purchase of real estate. Principal and interest payments began on November 1, 2010 with final maturity on October 1, 2040.

The interest rate on the Series 2010 bond is fixed at 4.45% and subject to two adjustments over the duration of the bond. The first adjustment date and second adjustment date are set at October 1, 2020 and 2030, respectively. As of those dates, the interest rate will be readjusted to reflect the Federal Home Loan Bank Classic 10-Year Advance Rate on the remaining balance of the bonds on those dates, but not less than 4.45%.

Future maturities of bonds payable are as follows:

Years Ending June 30,		
2013	$	707,959
2014		740,764
2015		784,155
2016		821,259
2017		867,839
Thereafter		24,662,874
Unamortized discount		(158,453)
Total	**$**	**28,426,397**

Note 11 - Derivative Instruments

On October 4, 2006, the Organization entered into an agreement (interest rate swap) for a notional amount of $6,500,000 with a bank to lock in the cash outflows for interest on its variable rate bonds. This agreement changed the Organization’s variable interest rate bonds to a fixed interest rate. Under the terms of the swap, the Organization paid or received a monthly fixed rate interest based on the difference between sixty-seven percent (67%) of USDLIBOR-BBA and the fixed rate of 3.61%. The agreement terminated in October 2010 with the repayment of the 2006 Bonds. During the year ended June 30, 2011, the Organization incurred a loss on the interest rate swap agreement totaling $149,862.

Note 12 - Operating Leases

Buildings

The Organization leases facilities under operating leases expiring at various dates through 2021. Included in occupancy expense is rental expense of $4,097,654 and $4,100,147 for the years ended June 30, 2012 and 2011, respectively.

Motor Vehicles

The Organization leases motor vehicles under operating leases expiring at various dates through fiscal year 2016. Included in transportation expense is rental expense of $1,436,696 and $1,387,510 for the years ended June 30, 2012 and 2011, respectively.

Copiers

The Organization leases numerous copiers under operating leases expiring at various dates through fiscal year 2017. Included in occupancy expense is rental expense of $229,267 and $228,291 for the years ended June 30, 2012 and 2011, respectively.

Equipment

The Organization leases pieces of office and other equipment under operating leases expiring at various dates through fiscal year 2017. Included in occupancy expense are lease and rental expenses of $28,249 and $27,415 for the years ended June 30, 2012 and 2011, respectively.

Future minimum rental payments under the aforementioned leases in the aggregate and for the next five years under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2012 are as follows:

Years Ending June 30,	*Buildings*	*Motor Vehicles*	*Copiers*	*Equipment*	*Total*
2013	$ 3,091,434	$ 1,242,481	$ 195,021	$ 9,343	$ 4,538,279
2014	2,132,067	936,430	124,226	5,386	3,198,109
2015	1,887,989	492,524	91,171	4,792	2,476,476
2016	1,605,663	131,003	48,455	3,534	1,788,655
2017	829,224	-	16,087	1,616	846,927
Thereafter	1,980,474	-	-	-	1,980,474
	$ 11,526,851	**$ 2,802,438**	**$ 474,960**	**$ 24,671**	**$ 14,828,920**

Note 13 - Net Assets and Endowment Matters

Unrestricted Net Assets

Unrestricted net assets are comprised of the following:

Fixed assets - The value of buildings and equipment, net of depreciation, used in the Organization's operations. This amount is offset by outstanding liabilities related to the assets, such as bond debt.

Operating - Discretionary funds available for carrying on the operating activities of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	2012	***2011***
Contributions with purpose restrictions:		
Trustees awards	$ 21,917	$ 20,967
Aquatics center	10,245	-
Contributions with time restrictions:		
Capital advances from HUD*	1,330,800	1,330,800
Pledges - services to children and families	278,542	229,223
Total temporarily restricted net assets	**$ 1,641,504**	**$ 1,580,990**

* Under the terms of the 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.

Note 13 - Net Assets and Endowment Matters (Continued)

Net Assets Released from Restrictions

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restriction were for the following purposes for the years ended June 30:

	2012	2011
Donor restrictions satisfied as to:		
Trustee awards	$ 4,000	$ 4,966
Support of services for children and families	30,100	20,053
Program equipment and facility	6,617	2,950
National standards report and dissemination	-	5,000
Time restrictions satisfied as to:		
Pledges - services to children and families	202,112	4,966
	$ 242,829	**$ 37,935**

Permanently Restricted Net Assets

Permanently restricted net assets totaling $1,000 consist of cash to be held in perpetuity. The earnings on the investment of the cash are expendable to support the operations of the Organization.

Endowment Matters

The Organization's endowment fund consists of one donor restricted fund of $1,000. The fund is maintained in a cash account. The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) signed into law in the state of Massachusetts on July 2, 2009, requiring the preservation of the original value of the original gift as of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Interest and dividend income may be distributed to the Organization for operating purposes. Appreciation is recorded as temporarily restricted net assets and may be appropriated by the Board of Trustees.

Note 14 - Forward Delivery Agreement

During fiscal year 2000, the Organization entered into a forward delivery agreement in conjunction with the Services 1999 bond, to sell the rights to income earned on the Organization's Debt Service Reserve Fund and Debt Service Fund to Bank of America, N.A. Pursuant to the agreement, the Organization received $828,000 from Bank of America, N.A. during fiscal year 2000. The proceeds from the agreement were treated as deferred revenue by the Organization and are being amortized over the thirty-year life of the bonds payable. As of June 30, 2012 and 2011, deferred revenue related to the forward purchase agreement was $466,325 and $493,358, respectively. The remaining balance in deferred revenue represents advances received for program services. This agreement was terminated subsequent to year end - see Note 20.

Note 15 - Third-Party Payor Settlements

May entered into a settlement agreement with OSD for one program for fiscal year 2007. As a result, a liability of $569,435 was agreed upon during fiscal year 2010, for which a liability of $119,435 remained unpaid as of June 30, 2011. This remaining liability was repaid in July 2011 in accordance with the payment schedule.

Note 16 - Estimated Third-Party Payor Liabilities

The Organization has recorded estimated liabilities to other governmental agencies. The estimated liability totaled $30,054 at June 30, 2012 and 2011, respectively.

Note 17 - Employee Benefit Plans

The Organization maintains a tax deferred annuity plan as described in IRS Code Section 403(b) covering all eligible employees beginning on their date of hire. The plan allows the Organization to make matching contributions based on years of continuous service, as set forth in the plan, subject to IRS limitations. Effective September 1, 2010, the plan was restated to change certain features of the plan for participants, including eligibility thresholds and elective deferral timing. The Organization recognized an expense of $411,212 and $182,512 related to the plan during the years ended June 30, 2012 and 2011, respectively.

In addition, the Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(b). The Organization contributed $29,333 and $22,000 to the plan during the years ended June 30, 2012 and 2011, respectively.

Additionally, during the year ended June 30, 2009, the Organization created a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(f). The Organization contributed $118,250 and $29,394 to the plan during the years ended June 30, 2012 and 2011, respectively.

Note 18 - Legal Matters

The Organization is involved in legal proceedings, claims and disputes which arise in the ordinary course of business. In management's opinion, these matters will not have a material adverse effect on the consolidated financial position of the Organization.

Note 19 - Donated Property

On October 28, 2010, May purchased a site previously leased. The purchase was financed through the Mass Development 2010 Series Bonds. The building is used primarily for administrative offices and an Adult Day Habilitation Center. The valuation of the property at the date of purchase totaled $8,270,000. Leasehold improvements and equipment previously purchased by the Organization factored into the valuation totaled $1,893,973. As such, the adjusted valuation of the property totaled $6,376,027. The purchase price of the property paid by the Organization totaled $4,811,200 which resulted in donated land and building of $1,564,827 recorded in contributions, grants, and subsidies revenue for the year ended June 30, 2011.

Note 20 - Subsequent Event

In November 2012, the Organization refinanced the remaining $12,950,000 Series 1999 bond debt, financed termination of the Series 1999 Forward Delivery Agreement in the amount of $650,000 and secured $3,500,000 in new debt. The total value of the Series 2012 bond issue is approximately $17,125,000 inclusive of estimated closing costs. The entire bond series is financed through a private placement with a Massachusetts bank. The Series 1999 bond financed the purchase of the Organization's main facility at 41 Pacella Park Drive, Randolph and a number of residential and commercial locations. The new debt is directed towards the construction of an aquatics center, on site records storage facility and renovations to the sites financed through both series.