Consolidated Financial Statements

The May Institute, Inc. and Affiliates

June 30, 2013 and 2012

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

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Financial Statements

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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 financial statements of The May Institute, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2013 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. The prior year's summarized financial information has been derived from the Organization's fiscal year 2012 consolidated financial statements, and in our report dated December 10, 2012, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Organization'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 Organization'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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

December 30, 2013
Boston, Massachusetts

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	June 30, 2013	2012
Assets		
Cash and cash equivalents	$ 6,373,978	$ 4,298,070
Custodial funds	742,579	828,696
Escrow deposits	88,597	1,864,853
Accounts receivable, net of allowance for doubtful accounts	9,676,619	9,997,373
Pledges receivable, net of allowance of uncollectable pledges	270,635	278,542
Prepaid and deferred expenses	234,090	140,176
Investments	6,168,897	5,705,712
Deposits	399,356	403,256
Deferred costs, less accumulated amortization	471,672	699,584
Property, plant and equipment, at cost, less accumulated depreciation and amortization	36,953,844	38,504,622
Construction in progress	516,097	126,574
Total assets	**$ 61,896,364**	**$ 62,847,458**
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 1,584,801	$ 1,210,606
Accrued expenses	6,568,097	6,214,725
Deferred revenue	205,897	648,562
Estimated third-party payor liabilities	30,054	30,054
Line-of-credit	-	2,990,372
Mortgage notes payable	1,698,415	2,078,725
Note payable	429,788	-
Bonds payable, net of unamortized discount	30,233,279	28,426,397
Total liabilities	**40,750,331**	**41,599,441**
Net assets:		
Unrestricted	19,483,806	19,605,513
Temporarily restricted	1,661,227	1,641,504
Permanently restricted	1,000	1,000
Total net assets	**21,146,033**	**21,248,017**
Total liabilities and net assets	**$ 61,896,364**	**$ 62,847,458**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Activities

Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*2013 Total*	*2012 Total*
Revenues, gains, losses and other support:					
Tuition	$ 36,986,973	$ -	$ -	$ 36,986,973	$ 35,170,974
Contract revenue	45,895,656	-	-	45,895,656	57,081,261
Consulting and management services	2,288,781	-	-	2,288,781	1,324,678
Third-party fees - net of free services and contractual adjustments	12,795,304	-	-	12,795,304	11,549,116
Consumer revenue	3,000,820	-	-	3,000,820	3,740,717
Other program revenue	1,094,068	-	-	1,094,068	1,117,989
Contributions, grants and subsidies	309,121	255,830	-	564,951	587,998
Interest income	53,951	-	-	53,951	184,086
Net gains on investment transactions	305,816	-	-	305,816	42,000
Gains on sales of property and equipment	341,235	-	-	341,235	258,006
Loss on unamortized deferred costs	(455,660)	-	-	(455,660)	(268,663)
Other sources	181,421	-	-	181,421	379,515
Net assets released from restrictions	236,107	(236,107)	-	-	-
Total revenues, gains, losses and other support	**103,033,593**	**19,723**	**-**	**103,053,316**	**111,167,677**
Expenses:					
The May Institute, Inc. Program Services:					
Educational Services	30,370,358	-	-	30,370,358	29,191,577
Residential and Day Services	43,667,420	-	-	43,667,420	50,987,986
Consulting and Home Based Services	9,389,135	-	-	9,389,135	7,876,323
Behavioral Health Services	4,072,372	-	-	4,072,372	6,419,680
Greater Springfield Residences, Inc. Program Services	71,511	-	-	71,511	74,594
The May-West Roxbury Residences, Inc. Program Services	73,545	-	-	73,545	73,244
The Bay School Program Services	3,317,652	-	-	3,317,652	3,417,912
National Autism Center, Inc. Program Services	95,608	-	-	95,608	146,464
Total program services	**91,057,601**	**-**	**-**	**91,057,601**	**98,187,780**
Management and general	11,209,815	-	-	11,209,815	12,309,265
Fundraising	194,874	-	-	194,874	233,903
Total expenses	**102,462,290**	**-**	**-**	**102,462,290**	**110,730,948**
Change in net assets from continued operations	**571,303**	**19,723**	**-**	**591,026**	**436,729**
Discontinued operations:					
Connecticut programs	(577,272)	-	-	(577,272)	-
Clubhouses	(115,738)	-	-	(115,738)	-
Total discontinued operations	**(693,010)**	**-**	**-**	**(693,010)**	**-**
Change in net assets	**(121,707)**	**19,723**	**-**	**(101,984)**	**436,729**
Net assets at beginning of year	19,605,513	1,641,504	1,000	21,248,017	20,811,288
Net assets at end of year	**$ 19,483,806**	**$ 1,661,227**	**$ 1,000**	**$ 21,146,033**	**$ 21,248,017**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

	The May Institute, Inc.				
	Educational Services	*Residential and Day Services*	*Consulting and Home Based Services*	*Behavioral Health Services*	*Balance Forward*
Salaries and wages	$ 19,991,401	$ 27,734,571	$ 7,173,211	$ 2,628,470	$ 57,527,653
Employee benefits and payroll taxes	4,358,677	5,807,865	1,014,930	537,649	11,719,121
Total payroll and employee benefits	24,350,078	33,542,436	8,188,141	3,166,119	69,246,774
Professional fees and contracted services	369,008	508,341	151,601	29,839	1,058,789
Occupancy	2,154,162	4,506,927	253,222	494,953	7,409,264
Supplies	511,903	813,955	156,334	55,379	1,537,571
Transportation	450,839	1,966,234	336,079	105,918	2,859,070
Dietary expense	533,866	1,071,243	14,414	63,831	1,683,354
Interest expense	484,475	375,627	27,290	3,087	890,479
Depreciation and amortization	682,356	552,602	113,470	51,748	1,400,176
Other	833,671	330,055	148,584	101,498	1,413,808
Total expenses	**$ 30,370,358**	**$ 43,667,420**	**$ 9,389,135**	**$ 4,072,372**	**$ 87,499,285**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses (Continued)

Year Ended June 30, 2013

	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	$ 57,527,653	$ 16,044	$ 10,033	$ 1,936,902	$ 78,848	$ 59,569,480	$ 5,582,240	$ 144,557	$ 65,296,277
Employee benefits and payroll taxes	11,719,121	3,267	2,043	478,950	13,907	12,217,288	1,361,637	23,400	13,602,325
Total payroll and employee benefits	69,246,774	19,311	12,076	2,415,852	92,755	71,786,768	6,943,877	167,957	78,898,602
Professional fees and contracted services	1,058,789	-	-	175,294	-	1,234,083	1,173,707	2,722	2,410,512
Occupancy	7,409,264	28,452	32,427	426,713	-	7,896,856	568,719	-	8,465,575
Supplies	1,537,571	24	125	55,051	-	1,592,771	303,065	6,614	1,902,450
Transportation	2,859,070	-	-	158,414	2,049	3,019,533	530,890	220	3,550,643
Dietary expense	1,683,354	-	-	14,717	-	1,698,071	34,351	217	1,732,639
Interest expense	890,479	-	-	-	-	890,479	616,333	-	1,506,812
Depreciation and amortization	1,400,176	23,724	28,917	41,438	-	1,494,255	409,675	1,840	1,905,770
Other	1,413,808	-	-	30,173	804	1,444,785	629,198	15,304	2,089,287
Total expenses	**$ 87,499,285**	**$ 71,511**	**$ 73,545**	**$ 3,317,652**	**$ 95,608**	**$ 91,057,601**	**$ 11,209,815**	**$ 194,874**	**$ 102,462,290**

See accompanying notes to the consolidated financial statements.

THE MAY INSTITUTE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years Ended June 30,

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ (101,984)	$ 436,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,998,913	2,014,641
Loss on unamortized deferred costs	455,660	268,663
Non-cash interest expense	-	2,170
Net gains on investment transactions	(305,133)	(42,000)
Donated property	(7,640)	-
Loss on disposal of assets	-	493
Change in:		
Custodial funds	86,117	(180,393)
Accounts receivable	320,754	(2,041,752)
Pledges receivable	7,907	(49,319)
Prepaid and deferred expenses	(93,914)	36,490
Deposits	3,900	2,457
Deferred costs	(252,950)	-
Accounts payable	374,195	(6,538)
Accrued expenses	353,372	1,103,759
Deferred revenue	(442,665)	(23,439)
Third-party payor settlements and estimated third-party payor liabilities	-	(119,435)
Net cash provided by operating activities	**2,396,532**	**1,402,526**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(804,816)	(1,412,752)
Proceeds from investment sales	864,820	5,339,174
Net purchases of investments	(1,022,872)	(5,496,337)
Change in escrow deposits	1,776,256	(11,632)
Net cash provided by (used in) investing activities	**813,388**	**(1,581,547)**
Cash flows from financing activities:		
Proceeds from mortgage notes payable	-	350,000
Repayments of mortgage notes payable	(380,310)	(35,461)
Proceeds from note payable	570,000	-
Repayments of note payable	(140,212)	-
Proceeds from bonds payable	14,982,000	-
Repayments of bonds payable	(13,175,118)	(655,916)
Net payments on line-of-credit	(2,990,372)	(750,000)
Net cash used in financing activities	**(1,134,012)**	**(1,091,377)**
Net increase (decrease) in cash and cash equivalents	**2,075,908**	**(1,270,398)**
Cash and cash equivalents at beginning of year	4,298,070	5,568,468
Cash and cash equivalents at end of year	**$ 6,373,978**	**$ 4,298,070**
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,786,255	$ 1,757,772

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)

Custodial Funds

The Organization maintains collective fiduciary accounts at financial institutions for the benefit of certain clients. The related liability is included in accrued expenses.

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 $317,000 and $350,000 at June 30, 2013 and 2012, 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 bond issuance costs are being amortized over the life of the bond 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 totaled $25,202 and $48,073 for the years ended June 30, 2013 and 2012, respectively. Amortization expense for each of the next five years will amount to $20,279 per year, and $370,277 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.

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 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 May Institute, Inc. and Affiliates has identified their tax status as tax-exempt entities and their determination as to income being related or unrelated as their 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 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 liabilities, accrued workers compensation, accrued unemployment expense, accrued expenses for discontinued operations, 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 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 30, 2013, the date the consolidated financial statements were authorized to be issued.

Note 2 - Escrow Deposits

Escrow deposits consist of the following at June 30:

	2013	***2012***
Debt service reserve fund	$ -	$ 1,185,216
Debt service fund	-	614,956
HUD required escrow accounts	84,719	61,364
Tenant security deposits	3,878	1,596
	$ 88,597	**$ 1,863,132**

Note 3 - Pledges Receivable

Pledges receivable are reported in the consolidated financial statements net of an allowance for uncollectable pledges totaling $85,579 and $88,171 at June 30, 2013 and 2012, respectively. The pledges receivable balance is expected to be collected within one year.

Note 4 - Investment Income

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

	2013	*2012*
Interest and dividends	$ 157,369	$ 157,034
Net realized gains	49,612	107,509
Net unrealized (losses) gains	256,204	(65,509)
Net investment income	**$ 463,185**	**$ 199,034**

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, 2013:

Description	*Total*	*Level 1*	*Level 2*	*Level 3*
Assets				
Investments				
Mutual funds:				
Stock funds	$ 2,260,805	$ 2,260,805	$ -	$ -
Fixed income	2,942,532	2,942,532	-	-
Debt securities	674,113	674,113	-	-
Fidelity cash and cash reserves	291,447	291,447	-	-
Subtotal investments	**6,168,897**	**6,168,897**	**-**	**-**
Escrow Deposits				
Cash and cash equivalents	88,597	88,597		-
Total assets at fair value	**$ 6,257,494**	**$ 6,257,494**	**$ -**	**$ -**

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, 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**	**$ -**

Management has determined that fair value approximates carrying value for cash and cash equivalents, custodial funds, 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, note 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:

	2013	***2012***
Land	$ 9,490,621	$ 9,490,621
Buildings and improvements	35,887,733	35,697,163
Leasehold improvements	3,244,107	3,215,729
Furniture and fixtures	824,742	818,628
Equipment	4,039,005	3,841,134
Motor vehicles	325,648	325,648
	53,811,856	53,388,923
Less accumulated depreciation and amortization	(16,858,012)	(14,884,301)
	$ 36,953,844	**$ 38,504,622**

Note 7 - Construction in Progress

Construction in progress totaled $516,097 and $126,574 as of June 30, 2013 and 2012, respectively. The June 30, 2013 balance consists primarily of costs incurred for the construction of an aquatics center and new servers. The estimated remaining cost to complete the aquatics center is approximately $2,900,000 which is expected to be operational by October 2015. The estimated remaining cost to complete the server project is approximately $84,000 which is expected to be operational by January 2014. $122,625 of the construction in progress that was outstanding as of June 30, 2012 remains in progress as of June 30, 2013.

Note 8 - Note Payable

On November 28, 2012, the Organization entered into a term note agreement with a financial institution for $570,000 which was issued under the same loan agreement as the Series 2012 bonds (see Note 11). Monthly principal and interest payments of $23,750 commenced on January 1, 2013 with a maturity date of December 1, 2014. The interest rate is the prime rate plus 100 basis points (4.25% at June 30, 2013).

Future maturities of the note payable are as follows:

Years Ending June 30,	
2014	$ 271,998
2015	157,790
Total	**$ 429,788**

Note 9 - Mortgage Notes Payable

Mortgage notes payable consist of the following at June 30, 2013 and 2012:

	2013	***2012***
Various mortgage notes payable to financial institutions in monthly installments totaling $9,228 including interest at rates ranging from 0% to 6.93% through dates ranging from 2026 to 2030. The notes are secured by real property.	$ 955,011	$ 1,335,321
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	**$ 1,698,415**	**$ 2,078,725**

Future maturities of mortgage notes payable are as follows:

Years Ending June 30,	
2014	$ 36,467
2015	39,267
2016	41,899
2017	74,914
2018	48,145
Thereafter	1,457,723
Total	**$ 1,698,415**

Note 10 - Line-of-Credit

On October 1, 2010, May entered into a $5,000,000 line-of-credit agreement with a Massachusetts based bank. The line-of-credit expires on October 1, 2016 with the interest at the bank's prime rate (3.25% at June 30, 2013 and 2012). Outstanding borrowings on this line-of-credit totaled $0 and $2,990,372 at June 30, 2013 and 2012, respectively.

Note 11 - 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 served as the trustee. Interest was 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. The outstanding balance of this bond at June 30, 2012 was $12,861,547. On November 28, 2012, this bond was repaid in full with the proceeds of the Series 2012 bonds noted below.

Escrow deposits were required to be maintained (see Note 2). The bonds were 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 contained restrictive covenants concerning certain financial statement ratios.

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 outstanding balance was $15,286,911 and $15,564,850 at June 30, 2013 and 2012, respectively.

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%.

2012 Series Bond
On November 28, 2012, the Organization refinanced the remaining 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 Series A issue is $3,500,000 and the Series B issue is $11,482,000. The entire bond series is financed through a private placement with a Massachusetts bank. The bonds are directed towards the construction of an aquatics center, on site records storage facility and renovations to the sites financed through both series.

The principal and interest payments began on January 1, 2013 for the Series A bond with final maturity on December 1, 2041. The interest rate is fixed at 2.95% until November 30, 2022 at which time it is subject to increase. Monthly payments are due on the amount of $14,745. The outstanding balance of this bond at June 30, 2013 was $3,464,368.

On January 1, 2013, interest only payments on the Series B bond commenced and principal and interest payments of $73,485 are scheduled to commence on January 1, 2015 with final maturity on December 1, 2013. The interest rate is fixed at 3.23% until November 30, 2022 at which time it is subject to increase. The outstanding balance of this bond at June 30, 2013 was $11,482,000.

Escrow deposits are required to be maintained (see Note 2). The bonds are a general obligation of the Organization and are secured by all assets of the Organization. The bond agreement contains restrictive covenants concerning certain financial statement ratios.

Note 11 - Bonds Payable (Continued)

Future maturities of bonds payable are as follows:

Years Ending June 30,		
2014	$	365,106
2015		635,901
2016		915,851
2017		953,388
2018		989,009
Thereafter		26,374,024
Total	**$**	**30,233,279**

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 $3,989,159 and $4,097,654 for the years ended June 30, 2013 and 2012, respectively. The Organization has tenants in some of the properties that it leases which the Organization collects monthly rent. The Organization recognized sublease income for the years ended June 30, 2013 and 2012 of $302,000 and $124,163, 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 $1,377,108 and $1,436,696 for the years ended June 30, 2013 and 2012, 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 $218,754 and $229,267 for the years ended June 30, 2013 and 2012, respectively.

Note 12 - Operating Leases (Continued)

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 $23,580 and $28,249 for the years ended June 30, 2013 and 2012, 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, 2013 are as follows:

Years Ending June 30,	*Buildings*	*Motor Vehicles*	*Copiers*	*Equipment*	*Total*
2014	$ 3,548,832	$ 1,204,072	$ 219,946	$ 12,000	$ 4,984,850
2015	1,967,151	747,682	161,333	5,658	2,881,824
2016	1,677,316	377,415	119,980	3,760	2,178,471
2017	952,039	93,652	47,634	1,483	1,094,808
2018	629,299	-	5,147	543	634,989
Thereafter	1,042,775	-	-	-	1,042,775
	$ 9,817,412	**$ 2,422,821**	**$ 554,040**	**$ 23,444**	**$ 12,817,717**

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.

Note 13 - Net Assets and Endowment Matters (Continued)

Temporarily Restricted Net Assets

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

	2013	2012
Contributions with purpose restrictions:		
Trustees awards	$ 24,117	$ 21,917
Aquatics center	35,245	10,245
Equipment	430	-
Contributions with time restrictions:		
Capital advances from HUD*	1,330,800	1,330,800
Pledges - services to children and families	270,635	278,542
Total temporarily restricted net assets	**$ 1,661,227**	**$ 1,641,504**

* 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.

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:

	2013	2012
Donor restrictions satisfied as to:		
Trustee awards	$ 2,500	$ 4,000
Support of services for children and families	2,060	30,100
Program equipment and facility	8,587	6,617
Time restrictions satisfied as to:		
Pledges - services to children and families	222,960	202,112
	$ 236,107	**$ 242,829**

Note 13 - Net Assets and Endowment Matters (Continued)

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 were being amortized over the thirty-year life of the bonds payable. As of June 30, 2012, deferred revenue related to the forward purchase agreement was $466,325. This agreement was terminated during November 2012 upon the issuance of the 2012 series bond (see Note 11). The remaining balance was recognized as program service revenue during the year ended June 30, 2013.

Note 15 - Estimated Third-Party Payor Liabilities

The Organization has recorded estimated liabilities to other governmental agencies. The estimated liability totaled $30,054 at June 30, 2013 and 2012, respectively.

Note 16 - 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 $467,217 and $411,212 related to the plan during the years ended June 30, 2013 and 2012, 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 to the plan during the year ended June 30, 2012. The Organization did not make any contributions to the plan during the year ended June 30, 2013.

Note 16 - Employee Benefit Plans (Continued)

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 $39,561 and $118,250 to the plan during the years ended June 30, 2013 and 2012, respectively.

Note 17 - Other Commitments and Contingencies

Employment Agreement

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

Litigation

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 18 - Discontinued Operations

Effective June 30, 2013, all programs in the state of Connecticut were closed. The activity of the Connecticut programs is included in discontinued operations on the Statement of Activities. Activities for the Connecticut discontinued operations were as follows for the year ended June 30, 2103:

Tuition	$	61,672
Contract revenue		8,261,561
Consulting and management services		54,150
Consumer revenue		623,417
Contributions, grants and subsidies		1,749
Other sources		41,508
Total revenues, gains, losses and other support		9,044,057
Total expenses		9,621,329
Change in net assets from Connecticut discontinued operations	**$**	**(577,272)**

Note 18 - Discontinued Operations (Continued)

Effective September 30, 2012, all clubhouse programs were closed. The activity of the clubhouse programs is included in discontinued operations on the Statement of Activities. Activities for the clubhouse discontinued operations were as follows for the year ended June 30, 2013:

Contract revenue	$	610,370
Consumer revenue		13,248
Other sources		187,614
Total revenues, gains, losses and other support		811,232
Total expenses		926,970
Change in net assets from clubhouse discontinued operations	**$**	**(115,738)**

Note19 - Management and General Expenses

The following is a summary of management and general expenses for the years ended June 30:

		2013		***2012***
Management and general expenses:				
Continuing operations	$	11,209,815	$	12,309,265
Discontinued operations		1,037,031		-
Total management and general expenses	**$**	**12,246,846**	**$**	**12,309,265**