Consolidated Financial Statements and Supplemental Information

The May Institute, Inc. and Affiliates

June 30, 2022 and 2021



Consolidated Financial Statements and Supplemental Information

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Independent Auditors' Report

Board of Directors The May Institute, Inc. and Affiliates Randolph, Massachusetts

Opinion

We have audited the consolidated financial statements of The May Institute, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The May Institute, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.





In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether
 due to fraud or error, and design and perform audit procedures responsive to those risks. Such
 procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the
 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of financial position and consolidating schedule of activities as of and for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Boston, Massachusetts November 7, 2022

ayu Hayeman Melann P.C.

Consolidated Statements of Financial Position

June 30,

| Assets | | 2022 | 2021 |
|---|------------|-------------------|------------------------|
| | | | |
| Current assets: | • | 10.110.1500 | 0.004.500 |
| Cash and cash equivalents | \$ | 12,116,458 \$ | 9,034,588 |
| Custodial funds | | 900,643 | 1,090,018 |
| Escrow deposits | | 160,959 | 165,878 |
| Accounts receivable, net Grants receivable | | 15,104,822 | 14,971,248 |
| | | 165,272 53,500 | 883,488 |
| Pledges receivable, net | | | 926 501 |
| Prepaid expenses Investments | | 886,951 | 836,501 |
| investments | - | 11,709,674 | 13,184,807 |
| Total current assets | - | 41,098,279 | 40,166,528 |
| Assets whose use is limited or restricted: | | | |
| Board designated investments | | 1,060,052 | 1,203,071 |
| | _ | | |
| Property, plant and equipment, net | - | 38,163,121 | 37,131,831 |
| Other assets: | | | |
| Deposits | | 433,310 | 475,112 |
| Other assets | _ | 2,053,969 | 2,193,855 |
| Total other assets | _ | 2,487,279 | 2,668,967 |
| Total assets | \$ _ | 82,808,731 \$ | 81,170,397 |
| Liabilities and Net Assets | | | |
| Current lightities | | | |
| Current liabilities: | Φ | 1 7EC 101 | 2 040 040 |
| Accounts payable and other current liabilities | \$ | 1,756,181 \$ | 2,819,018 |
| Accrued expenses | | 7,069,429 | 6,680,034 |
| Current maturities of long-term debt | | 782,426 | 488,905 |
| Current portion of deferred payroll taxes Refundable advances | | 1,827,160 | 1,827,160 1,108,314 |
| Deferred revenue | | 2,239,807 | 1,108,314 |
| Deterred revenue | - | 2,239,607 | 1,800,374 |
| Total current liabilities | | 13,675,003 | 14,729,805 |
| Long-term debt, net of current maturities | | 30,714,494 | 28,855,480 |
| Deferred payroll taxes | | - | 1,827,160 |
| Other liabilities | | 2,767,422 | 2,746,660 |
| Onto hazinado | - | 2,707,122 | 2,1 10,000 |
| Total liabilities | _ | 47,156,919 | 48,159,105 |
| Net assets: | | | |
| Without donor restrictions | | 34,298,391 | 31,662,621 |
| With donor restrictions | _ | 1,353,421 | 1,348,671 |
| Total net assets | _ | 35,651,812 | 33,011,292 |
| Total liabilities and net assets | \$ | 82,808,731 \$ | 81,170,397 |
| . J.m | * = | | |

Consolidated Statement of Activities

Year Ended June 30, 2022 (with comparative totals for 2021)

| | | | 2022 | | | 2021 |
|---|----------------------------------|----|-------------------------------|-------------|-----|-------------|
| | Without Donor Restrictions | | With Donor Restrictions | Total | - | Total |
| | 110001100110 | | | 70147 | | |
| Revenues, other support, gains and losses: | | | | | | |
| Tuition | \$ 57,714,244 | \$ | - \$ | 57,714,244 | \$ | 59,795,205 |
| Contract revenue | 65,778,696 | | - | 65,778,696 | | 55,970,257 |
| Third-party fees | 15,019,993 | | - | 15,019,993 | | 12,897,499 |
| Consumer revenue | 3,268,228 | | - | 3,268,228 | | 3,144,486 |
| Other program revenue | 1,219,199 | | - | 1,219,199 | | 972,228 |
| Grants and subsidies | 1,495,417 | | - | 1,495,417 | | 1,067,746 |
| Contributions and fundraising | 730,217 | | 12,750 | 742,967 | | 510,792 |
| Consulting and management services | 168,323 | | - | 168,323 | | 440,957 |
| Investment return (loss), net | (1,617,625) | | - | (1,617,625) | | 1,356,563 |
| Gain on sale of asset | 903,480 | | - | 903,480 | | - |
| Other sources | 169,923 | | - | 169,923 | | 870,239 |
| Net assets released from restrictions | 8,000 | - | (8,000) | | _ | - |
| Total revenues, other support, gains and losses | 144,858,095 | _ | 4,750 | 144,862,845 | _ | 137,025,972 |
| Expenses: | | | | | | |
| The May Institute, Inc. program services: | | | | | | |
| Educational Services | 50,333,597 | | _ | 50,333,597 | | 48,468,618 |
| Adult Residential and Day Services | 62,145,656 | | _ | 62,145,656 | | 55,873,299 |
| Home, School & Center Based Services | 9,317,237 | | _ | 9,317,237 | | 9,249,615 |
| Other programs | 1,774,952 | | _ | 1,774,952 | | 1,783,640 |
| Bay School program services | 4,179,412 | | _ | 4,179,412 | | 4,121,876 |
| National Autism Center, Inc. program services | 149,389 | | _ | 149,389 | | 55,951 |
| Greater Springfield Residences, Inc. program services | 100,951 | | _ | 100,951 | | 95,314 |
| May-West Roxbury Residences, Inc. program services | 98,237 | | | 98,237 | _ | 75,232 |
| Total program service expenses | 128,099,431 | | - | 128,099,431 | | 119,723,545 |
| Management and general | 13,620,861 | | - | 13,620,861 | | 12,827,738 |
| Fundraising | 502,033 | | - | 502,033 | | 317,385 |
| | | | | | - | |
| Total expenses | 142,222,325 | - | - | 142,222,325 | - | 132,868,668 |
| Change in net assets | 2,635,770 | | 4,750 | 2,640,520 | | 4,157,304 |
| Net assets, beginning of year | 31,662,621 | - | 1,348,671 | 33,011,292 | _ | 28,853,988 |
| Net assets, end of year | \$ 34,298,391 | \$ | 1,353,421\$ | 35,651,812 | \$_ | 33,011,292 |

Consolidated Statement of Activities

Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|---|----------------------------------|-------------------------------|------|-------------|
| Revenues, other support, gains and losses: | | | | |
| Tuition | \$ 59,795,205 | \$ - | \$ | 59,795,205 |
| Contract revenue | 55,970,257 | - | | 55,970,257 |
| Third-party fees | 12,897,499 | - | | 12,897,499 |
| Consumer revenue | 3,144,486 | - | | 3,144,486 |
| Other program revenue | 972,228 | - | | 972,228 |
| Grants and subsidies | 1,067,746 | - | | 1,067,746 |
| Contributions and fundraising | 500,342 | 10,450 | | 510,792 |
| Consulting and management services | 440,957 | - | | 440,957 |
| Investment return, net | 1,356,563 | - | | 1,356,563 |
| Other sources | 870,239 | - | | 870,239 |
| Net assets released from restrictions | 50,593 | (50,593) | - | |
| Total revenues, other support, gains and losses | 137,066,115 | (40,143) | _ | 137,025,972 |
| Expenses: | | | | |
| The May Institute, Inc. program services: | | | | |
| Educational Services | 48,468,618 | - | | 48,468,618 |
| Adult Residential and Day Services | 55,873,299 | - | | 55,873,299 |
| Home, School & Center Based Services | 9,249,615 | - | | 9,249,615 |
| Other programs | 1,783,640 | - | | 1,783,640 |
| Bay School program services | 4,121,876 | - | | 4,121,876 |
| National Autism Center, Inc. program services | 55,951 | - | | 55,951 |
| Greater Springfield Residences, Inc. program services | 95,314 | - | | 95,314 |
| May-West Roxbury Residences, Inc. program services | 75,232 | - | _ | 75,232 |
| Total program service expenses | 119,723,545 | - | | 119,723,545 |
| Management and general | 12,827,738 | - | | 12,827,738 |
| Fundraising | 317,385 | | _ | 317,385 |
| Total expenses | 132,868,668 | | _ | 132,868,668 |
| Change in net assets | 4,197,447 | (40,143) | | 4,157,304 |
| Net assets, beginning of year | 27,465,174 | 1,388,814 | _ | 28,853,988 |
| Net assets, end of year | \$ 31,662,621 | \$ 1,348,671 | \$ _ | 33,011,292 |

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

| | | Educational Services | | Adult Residential and Day Services | | Home, School & Center Based Services | | Other Programs | Bay School | National Autism Center, Inc. | | Balance Forward |
|---|-----|-------------------------|-----|---|----|--|-----|-------------------|-----------------|------------------------------------|-----|--------------------|
| Salaries and wages | \$ | 35,669,839 | \$ | 42,834,495 | \$ | 6,818,460 | \$ | 813,682 | \$ 2,357,838 | \$ 108,471 | \$ | 88,602,785 |
| Employee benefits and payroll taxes | | 6,648,542 | | 7,975,899 | | 1,342,022 | | 140,339 | 546,679 | 14,871 | | 16,668,352 |
| Professional fees and contracted services | | 751,337 | | 777,101 | | 109,696 | | 589,194 | 384,418 | 1,268 | | 2,613,014 |
| Occupancy | | 3,554,545 | | 5,819,766 | | 502,844 | | 99,346 | 697,654 | 3,115 | | 10,677,270 |
| Supplies | | 858,132 | | 787,439 | | 144,350 | | 62,523 | 72,064 | 326 | | 1,924,834 |
| Transportation | | 481,748 | | 1,652,934 | | 79,045 | | 30,699 | 32,491 | 669 | | 2,277,586 |
| Dietary expense | | 666,121 | | 1,283,772 | | 9,427 | | 311 | 11,667 | - | | 1,971,298 |
| Interest expense and amortization | | 371,115 | | 162,228 | | 10,489 | | 6,665 | - | 1,775 | | 552,272 |
| Depreciation | | 1,005,020 | | 572,042 | | 84,024 | | 7,934 | 26,667 | 11,738 | | 1,707,425 |
| Other | _ | 327,198 | | 279,980 | - | 216,880 | - | 24,259 | 49,934 | 7,156 | _ | 905,407 |
| | \$_ | 50,333,597 | \$_ | 62,145,656 | \$ | 9,317,237 | \$_ | 1,774,952 | \$ 4,179,412 | \$ 149,389 | \$_ | 127,900,243 |

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

| | | | | | | | | Suppo | ort S | Services | _ | | | |
|---|-----|--------------------|----------------------------|--------|---|-----|---------------------------|---------------------------|-------|-------------|-----|---------------------------|-----|---------------------------|
| | | Balance Forward | Grea Spring Residenc | field | May-West Roxbury Residences, Inc. | | Total Program Services | Management and General | | Fundraising | - | 2022 Total Expenses | | 2021 Total Expenses |
| Salaries and wages | \$ | 88,602,785 | \$ 1 | 15,975 | \$ 12,602 | \$ | 88,631,362 | \$ 8,736,188 | \$ | 183,668 | \$ | 97,551,218 | \$ | 88,216,726 |
| Employee benefits and payroll taxes | | 16,668,352 | | - | - | | 16,668,352 | 1,778,973 | | 34,448 | | 18,481,773 | | 18,718,442 |
| Professional fees and contracted services | | 2,613,014 | | 1,052 | 1,988 | | 2,616,054 | 530,517 | | 67,750 | | 3,214,321 | | 3,509,892 |
| Occupancy | | 10,677,270 | 5 | 6,597 | 52,566 | | 10,786,433 | 666,455 | | 4,733 | | 11,457,621 | | 11,554,705 |
| Supplies | | 1,924,834 | | 48 | 23 | | 1,924,905 | 175,566 | | 5,553 | | 2,106,024 | | 2,547,993 |
| Transportation | | 2,277,586 | | - | - | | 2,277,586 | 469,519 | | 1,067 | | 2,748,172 | | 2,324,179 |
| Dietary expense | | 1,971,298 | | - | - | | 1,971,298 | 23,903 | | 30 | | 1,995,231 | | 1,689,012 |
| Interest expense and amortization | | 552,272 | | - | - | | 552,272 | 178,501 | | - | | 730,773 | | 576,570 |
| Depreciation | | 1,707,425 | 2 | 27,244 | 31,023 | | 1,765,692 | 511,581 | | 4,589 | | 2,281,862 | | 2,033,902 |
| Other | - | 905,407 | | 35 | 35 | _ | 905,477 | 549,658 | - | 200,195 | | 1,655,330 | _ | 1,697,247 |
| | \$_ | 127,900,243 | \$10 | 0,951 | \$ 98,237 | \$_ | 128,099,431 | \$ 13,620,861 | \$_ | 502,033 | \$_ | 142,222,325 | \$_ | 132,868,668 |

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

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

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

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

Consolidated Statements of Cash Flows

Years Ended June 30,

| | | 2022 | | 2021 |
|--|----|--------------|----------|--------------|
| Cash flows from operating activities: | _ | | | |
| Change in net assets | \$ | 2,640,520 \$ | 5 | 4,157,304 |
| Adjustments to reconcile change in net assets | | | | |
| to net cash provided by operating activities: | | | | |
| Depreciation | | 2,281,862 | | 2,033,902 |
| Amortization on deferred financing costs | | 9,296 | | 9,296 |
| Provision for uncollectible accounts | | 179,678 | | 358,769 |
| Net realized and unrealized loss (gain) on investments | | 1,829,708 | | (1,238,324) |
| Gain on sale of property, plant and equipment | | (903,480) | | (1,200,024) |
| Increase (decrease) in cash resulting from a change in: | | (000,400) | | |
| Accounts receivable | | (313,252) | | 128,458 |
| Grants receivable | | 718,216 | | (522,332) |
| Pledges receivable | | (53,500) | | 10,000 |
| · · · · · · · · · · · · · · · · · · · | | , , | | |
| Prepaid expenses | | (50,450) | | (47,138) |
| Deposits | | 41,802 | | (5,761) |
| Other assets | | 139,886 | | (664,309) |
| Accounts payable and other current liabilities | | (1,062,837) | | (140,632) |
| Accrued expenses | | 389,395 | | (903,556) |
| Refundable advances | | (1,108,314) | | - |
| Deferred revenue | | 433,433 | | 1,806,374 |
| Deferred payroll taxes | | (1,827,160) | | 2,421,440 |
| Other liabilities | | 20,762 | _ | 527,906 |
| Net cash provided by operating activities | | 3,365,565 | _ | 7,931,397 |
| Cash flows from investing activities: | | | | |
| Purchases of property, plant and equipment | | (4,084,483) | | (8,788,832) |
| Proceeds from sale of property, plant and equipment | | 1,674,811 | | (0,: 00,002) |
| Purchases of investments | | (140,811) | | (2,996,513) |
| Sales of investments | | 72,274 | | (2,000,010) |
| Decrease in board designated investments | | (143,019) | | (137,649) |
| Bostodo III Bodi d dosignatod III rodanonto | • | (110,010) | _ | (107,010) |
| Net cash used in investing activities | | (2,621,228) | _ | (11,922,994) |
| Cash flows from financing activities: | | | | |
| Repayments of long-term debt | | (739,934) | | (488,285) |
| Proceeds from long-term debt | | 2,883,173 | | 7,749,992 |
| Net cash provided by financing activities | | 2,143,239 | | 7,261,707 |
| Net increase in cash and cash equivalents and restricted cash | | 2,887,576 | | 3,270,110 |
| Cash and cash equivalents and restricted cash, beginning of year | | 10,290,484 | _ | 7,020,374 |
| Cash and cash equivalents and restricted cash, end of year | \$ | 13,178,060 | _ | 10,290,484 |
| Cash and cash equivalents | \$ | 12,116,458 | 6 | 9,034,588 |
| Custodial funds | Ψ | 900,643 | • | 1,090,018 |
| Escrow deposits | | 160,959 | | 165,878 |
| Total cash and cash equivalents and restricted cash | \$ | 13,178,060 | _ | 10,290,484 |
| Supplemental Disclosure of Cash Flow Information: Cash paid during the year for interest | \$ | 887,029 | 6 | 687,450 |

Notes to Consolidated Financial Statements

Note 1 - Organization

The May Institute, Inc. and Affiliates (the "Organization") are not-for-profit organizations established for the purpose of providing educational and rehabilitative services for individuals and the families of individuals with autism, developmental disabilities, behavioral disorders, and mental illness, operating more than 140 service locations across the country with concentration in Massachusetts.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. Such accounts are carried at cost plus earned interest. Cash and cash equivalents held by investment managers are classified as investments given the potential for near term reinvestment.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

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

Custodial Funds

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

Escrow Deposits

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

Accounts Receivable

Accounts receivable are carried at their net realizable value. Accounts receivable consist mainly of accounts receivable from third-party payors and grants and contracts receivable from state and local governments. Accounts receivable where a third-party payor is responsible for paying the amount are carried at the original charge for the service provided. Consumer receivables due directly from the consumers are carried at the original charge for services provided. On the basis of historical experience, a portion of the Organization's uninsured clients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for bad debts related to uninsured clients in the period the services are provided.

Management determines the allowance for doubtful accounts by regularly evaluating individual receivables, past collection history and considering the services provided and the current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as an increase to the allowance for doubtful accounts when received. Interest is not charged on receivables. Accounts receivable are reported in the consolidated financial statements net of the allowance for doubtful accounts. At June 30, 2022 and 2021, the allowance for doubtful accounts was \$313,914 and \$399,126, respectively.

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

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

Fair Value Measurements

The Organization reports certain assets and liabilities as fair value instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Items reported at fair value on a recurring basis include the Organization's investments in marketable securities, debt securities and exchange traded products. Non-recurring fair values include items such as the initial recording of pledges.

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

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

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

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

Assets Whose Use is Limited or Restricted

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment, with a useful life greater than one year, at cost. Routine repairs and maintenance are expensed as incurred. Contributed property and equipment are recorded at fair value at the date of donation, which would normally entail a Level 3 fair value assessment as per the fair value standards. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, as follows:

Useful Lives

| Building and improvements | 20 - 40 years |
|---------------------------|---------------|
| Furniture and fixtures | 3 - 7 years |
| Equipment | 3 - 10 years |

Leasehold improvements are depreciated over the shorter of the useful life of the assets or the term of the lease.

Impairment of Long-Lived Assets

The Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the Organization to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2022 and 2021, the Organization did not recognize any impairment.

Deferred Revenue

Deferred revenue are monies received in advance from government agencies for which revenue has not yet been recognized at the end of the fiscal year.

Debt Obligations

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions.

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

Earned Revenue

Consulting and Management Services and Third-Party Fees

The Organization recognizes program service revenue for consulting and management services, and third-party fees associated with services provided to clients who have third-party coverage at a point in time when the performance obligation has been satisfied, which is when services have been rendered. Revenue is recorded on the basis of contractual rates for the services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursements to the Organization are subject to negotiation, audit, and/or final determination by third-party payors. Retroactive adjustments are accrued on an estimated basis in the period related services are rendered and adjusted in future periods as final settlements are determined. For uninsured clients, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Clients and third-party insurance companies are billed on a monthly basis.

Consumer Revenue

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

Other Program Revenue

Other program revenue consists of exchange support from funding sources as Section 8 rental income and food subsidies. Revenue is recorded in the associated period of consumption and occupancy to which the payment relates. Payments received in advance are deferred until earned. As of June 30, 2022 and 2021, there were no advances.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributed Support

Contract Revenue

Contract revenue consists of cost-reimbursement and unit rate contracts with state municipalities, other state agencies, and Massachusetts, California and Florida Medicaid to primarily support the majority of the Organization's students and consumers. Revenue is recorded at the Organization's rates of reimbursement as certified by the applicable funding agencies and are considered conditional contributions in that a barrier to entitlement must be met prior to the Organization having a right to the related resources. The Organization recognizes revenue when it has met the barrier to entitlement such as meeting a service delivery requirement or incurring specified qualifying expenses in accordance with a framework of allowable costs. The Organization bills funding sources primarily on a monthly basis following the month in which expenses have been incurred or services rendered to the client subject to the limits provided for in those contracts. Amounts received prior to incurring qualifying expenses are reported as refundable advances. At June 30, 2021, there were \$1,108,314 of refundable advances. There were no refundable advances at June 30, 2022.

Tuition

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributed Support (Continued)

Contributions, Grants and Subsidies

Contributions (including fundraising), grants and subsidies, including pledges receivable, are recorded as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. The discount on these amounts is computed using the appropriate rate commensurate with the timeframe involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions and reported as "net assets released from restrictions" when such time or purpose of those restrictions have been satisfied. Donor-restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Conditional contributions are recorded when conditions are met which primarily relates to contracts as noted above. At June 30, 2022 and 2021, approximately \$2,427,619 and \$3,910,410, respectively, of promised contributions have not been recognized in the accompanying consolidated statements of activities because the conditions on which they depend have not been met.

Investment Return

Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Functional Allocation of Expenses

The costs of providing the various programs, activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. Expenses are reported as decreases in net assets without donor restrictions. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services that directly benefit from them. Depreciation of property, plant and equipment assets, operation and maintenance of plant expenses have been allocated to functional classifications based on square footage of facilities. Interest expense is allocated to functional classifications that benefitted from the use of the proceeds of the debt. Administrative expenses are allocated on the basis of the ratio of each programs' direct expenses to the total direct program expenses. Indirect and supervisory wage expense and fringe benefits have been allocated on the basis of relative effort within each program as determined by management. Other non-direct expenses are charged to programs on the basis of their relative benefit from these expenses as determined by management.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization, including all affiliates, is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Given the limited taxable activities of the Organization, management has concluded that disclosures related to tax provisions are not necessary.

Uncertain Tax Positions

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax exempt entity and its determination as to what income is related or unrelated as its only significant tax positions. However, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's Federal and state tax returns are generally open for examination for three years following the date filed.

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Future Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year ending June 30, 2023 for the Organization. The Organization is evaluating the impact this will have on the consolidated financial statements.

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

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements in order to conform to the current presentation. Such reclassifications had no effect on changes in net assets.

Subsequent Events

The Organization has evaluated subsequent events through November 7, 2022, which is the date the consolidated financial statements were authorized to be issued. See Note 16 for further details on subsequent events.

Note 3 - Liquidity and Availability

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

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

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the years ended June 30, 2022 and 2021.

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

| | | 2022 | 2021 |
|---|----|------------|------------------|
| Financial assets available to meet general expenditures | | | |
| over the next 12 months: | | | |
| Cash | \$ | 12,116,458 | \$ 9,034,588 |
| Accounts receivable, net | | 15,104,822 | 14,971,248 |
| Pledges for general expenditure due in one year or less | | 53,500 | - |
| Grants receivable | | 165,272 | 883,488 |
| Investments not encumbered by donor or board restrictions | - | 11,709,674 | 13,184,807 |
| Total financial assets available to meet general | _ | | |
| expenditures over the next 12 months | \$ | 39,149,726 | \$ 38,074,131 |

Notes to Consolidated Financial Statements

Note 4 - Escrow Deposits

Escrow deposits consisted of the following at June 30:

| | | 2022 | 2021 |
|---|-----|------------------|------------------------|
| HUD required escrow accounts Tenant security deposits | \$ | 156,440 4,519 | \$ 161,586 4,292 |
| | \$_ | 160,959 | \$ 165,878 |

Note 5 - Concentration

The Organization provides the majority of its services through provider agreements with Medicaid, and contracts negotiated with various agencies of the Commonwealth of Massachusetts. At June 30, 2022 and 2021, one purchasing agent with the Commonwealth of Massachusetts accounted for 38% and 35% of total revenue, respectively.

At June 30, 2022 and 2021, one purchasing agent from the Commonwealth of Massachusetts accounted for 38% of accounts receivables.

Note 6 - Investments and Fair Value Measurements

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

| | | 2022 | | 2021 | | |
|--------------------------|----|------------|----|------------|--|--|
| | • | Level 1 | '- | Level 1 | | |
| Investments Included in: | | | | | | |
| Mutual funds: | | | | | | |
| Fixed income and bonds | \$ | 6,835,727 | \$ | 3,345,892 | | |
| Stock | | 1,754,805 | | 1,343,860 | | |
| Short-term funds | • | | - | 167,668 | | |
| Total mutual funds | | 8,590,532 | | 4,857,420 | | |
| Exchange traded products | | - | | 6,417,196 | | |
| Common stock | | 2,940,880 | | 983,291 | | |
| Treasury bills | | 634,611 | | - | | |
| Cash reserves | | 603,703 | • | 2,129,971 | | |
| Total investments | \$ | 12,769,726 | \$ | 14,387,878 | | |

Notes to Consolidated Financial Statements

Note 6 - Investments and Fair Value Measurements (Continued)

Net investment return (loss) consisted of the following for the years ended June 30:

| | 2022 | 2021 |
|---|---------------------------------------|----------------------------------|
| Interest and dividend income Realized and unrealized gains (losses) Investment expenses | \$ 284,561 \$ (1,829,708) (72,478) | 172,612 1,238,324 (54,373) |
| | \$ (1,617,625) \$ | 1,356,563 |

Note 7 - Property, Plant and Equipment, Net

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

| | | 2022 | | 2021 |
|--|----|------------|----|------------|
| Building and improvements | \$ | 45,439,619 | \$ | 37,180,338 |
| Land | | 11,628,772 | | 10,000,976 |
| Equipment | | 6,204,626 | | 5,859,632 |
| Leasehold improvements | | 3,732,770 | | 3,565,449 |
| Furniture and fixtures | | 1,564,508 | | 1,399,403 |
| Construction in progress | | 255,457 | | 8,504,480 |
| Motor vehicles | _ | 52,521 | | 52,521 |
| | | | | |
| | | 68,878,273 | | 66,562,799 |
| Less accumulated depreciation and amortization | | 30,715,152 | _ | 29,430,968 |
| | - | | _ | |
| | \$ | 38,163,121 | \$ | 37,131,831 |
| | | | _ | • |

During the fiscal year ended June 30, 2022, the Organization disposed of several properties resulting in a gain of \$903,480.

Note 8 - Note Payable, Line of Credit

The Organization maintains a \$5,000,000 line of credit agreement with a Massachusetts based bank. The line of credit expires on September 1, 2024. Advances on the line of credit carry interest at the bank's prime rate, which was 4.75% and 3.25% at June 30, 2022 and 2021, respectively. The outstanding borrowings are \$0 at June 30, 2022 and 2021.

Notes to Consolidated Financial Statements

Note 9 - Long-term Debt

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

| | 2022 | 2021 |
|---|----------------------------------|----------------------------------|
| Massachusetts Development Finance Agency ("MDFA") private placement 2010 Series bond, refinanced in June 2020 with fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Monthly principal and interest payments of \$53,198 are due until maturity on October 1, 2049. | \$ 12,347,468 \$ | 12,649,661 |
| Massachusetts Development Finance Agency ("MDFA") private placement 2012 Series bond, refinanced in June 2020 with fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Monthly principal and interest payments of \$33,015 are due until maturity on December 1, 2049. | 7,443,574 | 7,881,315 |
| Massachusetts Development Finance Agency ("MDFA") private placement 2020 Project Bond known as the "draw down" bond with a face value of \$11,252,000 shall be used to fund the purchase of property and capital improvements. The draw down period is from June 9, 2020 through July 1, 2022. Interest shall accrue on the aggregate outstanding principal amount from the date of each advance. Fixed interest rate of 2.65% subject to two adjustments over the duration of the bond on June 1, 2030 and June 1, 2040, at which time the interest rate will reflect the Federal Home Loan Bank plus 1.80% but not less than 2.65%. Interest only payment on the outstanding draw down balances is due until June 1, 2022. Commencing July 1, 2022, monthly principal and interest payments of \$47,697 are due until June 1, 2050. | 11,252,000 | 8,368,827 |
| Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due November 2033, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity. | 376,946 | 376,946 |
| Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due June 2029, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity. | 263,901 | 263,901 |
| Promissory note payable to the Community Economic Development Assistance Corporation, with interest at 0%, due November 2032, with possible extended maturity date 10 years beyond the original maturity date, secured by a second mortgage on real property. No principal payments are due until maturity. | 72,557 | 72,557 |
| Less current portion Less deferred financing costs, net | 31,756,446 782,426 259,526 | 29,613,207 488,905 268,822 |
| | \$ <u>30,714,494</u> \$ | 28,855,480 |

Notes to Consolidated Financial Statements

Note 9 - Long-term Debt (Continued)

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

Years Ending June 30,

| 2023 | \$ | 782,426 |
|------------|----|------------|
| 2024 | | 801,497 |
| 2025 | | 825,501 |
| 2026 | | 847,955 |
| 2027 | | 871,022 |
| Thereafter | _ | 27,628,045 |
| | | |

\$ 31,756,446

The bonds are a general obligation of the Organization and are secured by certain assets of the Organization. The bond agreement contains restrictive covenants concerning certain financial statement ratios.

During 2020, debt financing costs of \$278,893 were incurred in connection with the issuance of the 2020 Project Bond and refinancing of the 2010 and 2012 bonds. These costs are being amortized over the terms of the bonds. Amortization expense for the years ended June 30, 2022 and 2021 amounted to \$9,296 each year.

Note 10 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has interpreted state law as requiring realized and unrealized gains of net assets with donor restrictions to be retained in that net asset classification until appropriated by the Organization's Board of Directors and expended, except to the extent donors have indicated investment returns have certain restrictions, either permanent or purpose restrictions. State law allows the Board of Directors to appropriate as much of the net appreciation of net assets with donor restrictions as is prudent considering the Organization's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price-level trends, and general economic conditions.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment investments consist principally of mutual funds and exchange traded products.

Notes to Consolidated Financial Statements

Note 11 - Net Assets

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

| | | 2022 | 2021 |
|---|----|------------|------------------|
| Operating funds | \$ | 28,802,031 | \$ 25,040,097 |
| Net investment in property, plant and equipment | | 5,335,401 | 6,456,646 |
| Escrow deposits | _ | 160,959 | 165,878 |
| | _ | | |
| | \$ | 34,298,391 | \$ 31,662,621 |

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

| | | 2022 | 2021 |
|---|-------------|------------------------------|------------------------------------|
| Capital advances from HUD Trustee awards at the discretion of Board members Amount to be held in perpetuity | \$ | 1,330,800 21,621 1,000 | \$ 1,330,800 16,871 1,000 |
| | \$ <u>_</u> | 1,353,421 | \$ 1,348,671 |

Under the terms of the HUD capital advance program, no repayment of principal is required so long as the residences are occupied for no less than 40 years by very low-income persons with disabilities. If, for any reason, the capital advance is not continued to be used for the specific purpose, repayment of principal and interest will be required.

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

| | | 2022 | | 2021 |
|---|----------|-------|------------|------------------|
| Services to children and families Trustee awards at the discretion of Board members | \$ | 8.000 | \$ | 38,593 12,000 |
| Tructed awards at the dissipation of Board members | <u> </u> | 8,000 | * <u> </u> | 50,593 |

Note 12 - Operating Leases

The Organization leases facilities under operating leases expiring at various dates through 2032. Included in occupancy expense is rental expense of \$5,199,646 and \$5,386,540 for the years ended June 30, 2022 and 2021, respectively. The Organization collects rent from tenants that live in the space that the Organization leases. The Organization recognized sublease income for the years ended June 30, 2022 and 2021 of \$84,000 and \$59,005, respectively.

Notes to Consolidated Financial Statements

Note 12 - Operating Leases (Continued)

The Organization leases motor vehicles under operating leases expiring at various dates through fiscal year 2025. Included in transportation expense is rental expense of \$1,047,152 and \$1,039,651 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases numerous copiers under operating leases expiring at various dates through fiscal year 2023. Included in occupancy expense is rental expense of \$113,367 and \$105,525 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases pieces of office and other equipment under operating leases expiring at various dates through fiscal year 2023. Included in occupancy expense are lease and rental expenses of \$21,753 and \$24,114 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of future minimum payments under non-cancelable lease agreements which have remaining terms in excess of one year as of June 30:

| 2023 | \$ 5,603,961 |
|------------|-----------------|
| 2024 | 3,151,579 |
| 2025 | 2,357,367 |
| 2026 | 1,369,552 |
| 2027 | 619,759 |
| Thereafter | 1,949,587 |
| | |

\$ <u>15,051,805</u>

Note 13 - Retirement Plans

The Organization maintains a tax deferred annuity plan, as described in Internal Revenue Code Section 403(b), covering all eligible employees beginning on their date of hire. The plan allows the Organization to make matching contributions, as set forth in the plan, subject to IRS limitations. The Organization recognized an expense of \$905,316 and \$754,162 related to the plan for the years ended June 30, 2022 and 2021, respectively.

The Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(b). The Organization contributed \$59,411 and \$56,118 to the plan during the years ended June 30, 2022 and 2021, respectively.

The Organization maintains a deferred compensation plan for certain key employees under the provisions of Internal Revenue Code Section 457(f). The Organization contributed \$100,000 to the plan during the years ended June 30, 2022 and 2021.

Notes to Consolidated Financial Statements

Note 14 - Commitments and Contingencies

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

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

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

Note 15 - Support Associated with COVID-19

Government Funding

The Organization received funding of \$4,558,000 in 2022 from the American Rescue Plan Act of which \$3,519,000 was used for the benefit of adult services residences in Massachusetts. The remaining balance of \$1,038,000 is included in deferred revenue on the consolidated statements of financial position to be used in fiscal 2023.

During 2022, the Organization received \$423,000 of Workforce Investment funds from the Massachusetts Department of Children and Families of which \$211,000 was used for the benefit of residential education programs. The remaining balance of \$212,000 is included in deferred revenue on the consolidated statements of financial position to be used in fiscal 2023.

The Organization also received \$4,078,000 of EAASES Workforce funds from the Massachusetts Department of Elementary & Secondary Education in fiscal 2022. All of these funds were expended during the current year for the benefit of education services programs in Massachusetts.

The Organization applied for funding associated with the Provider Relief Program in November 2020. Funding in the amount of \$1,687,104 was received of which \$1,648,161 is recorded as revenue on the consolidated statement of activities based on the Department of Health and Human Services reporting guidelines. The award stipulated that the funds could be used for COVID-19 related costs including personnel, personnel retention costs and other costs incurred prior to June 30, 2022. The award is recognized in revenue in fiscal 2022 on the consolidated statement of activities.

Notes to Consolidated Financial Statements

Note 15 - Support Associated with COVID-19 (Continued)

Government Funding (Continued)

During 2021, the Organization was a beneficiary of \$1,006,100 in Coronavirus Relief Fund assistance received through the Commonwealth of Massachusetts Early Education and Care department of which \$847,858 was used in fiscal 2021 to cover additional costs incurred as a result of COVID-19 for the operations of its residential education programs. At June 30, 2022, \$158,242 is included in deferred revenue on the consolidated statements of financial position to be used for COVID-19 related costs.

Note 16 - Subsequent Events

On August 31, 2022, the Organization ceased all its operations in the state of Florida primarily due to its inability to maintain the highest level of service to those individuals served as a result of the difficulty in maintaining a stable workforce. The Florida operation accounted for approximately \$5,300,000 in annual revenue in the year ended June 30, 2022. There was no significant financial impact associated with the closing of the division as the proceeds from the sale of assets exceeded the closure costs.

Additionally, on September 12, 2022, the Organization opened a new school in Western Massachusetts. The school property is leased on a turn-key basis, so the pre-opening capital requirement was minimal. The school commenced operations utilizing a portion of the ten available classrooms. At full capacity, the school will be able to serve approximately sixty students.



Consolidating Schedule of Financial Position

June 30, 2022

| Assets | The May Institute, Inc. | Greater Springfield Residences, Inc. | May-West Roxbury Residences, Inc. | Bay School | May International LLC | National Autism Center, Inc. | Eliminations | Consolidated Total |
|---|----------------------------|--|---|------------|-----------------------------|------------------------------------|------------------|-----------------------|
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 9,963,654 | \$ 36,071 | \$ 27,373 \$ | 1,805,070 | \$ 129,567 | \$ 154,723 | \$ - \$ | 12,116,458 |
| Custodial funds | 900,643 | | - | - | - | - | - | 900,643 |
| Escrow deposits | - | 52,934 | 108,025 | - | - | - | - | 160,959 |
| Accounts receivable, net Grants receivable | 14,462,067 165,272 | 2,364 | - | 640,391 | - | - | - | 15,104,822 165,272 |
| Pledges receivable, net | 53,500 | - | - | - | - | _ | - | 53,500 |
| Due from affiliates | 3,117,660 | - | - | 2,077,841 | - | 199,987 | (5,395,488) | - |
| Prepaid expenses | 806,418 | 3,898 | 3,612 | 73,023 | - | - | (0,000,100) | 886,951 |
| Investments | 11,709,674 | - | - | - | - | - | - | 11,709,674 |
| Total current assets | 41,178,888 | 95,267 | 139,010 | 4,596,325 | 129,567 | 354,710 | (5,395,488) | 41,098,279 |
| Assets whose use is limited or restricted: | | | | | | | | |
| Board designated investments | 1,060,052 | _ | _ | _ | _ | _ | _ | 1,060,052 |
| board designated investments | | | | | · | | · <u></u> | 1,000,032 |
| Property, plant and equipment, net | 36,984,773 | 371,800 | 937,788 | 27,631 | <u> </u> | | (158,871) | 38,163,121 |
| Other assets: | | | | | | | | |
| Deposits | 405,950 | - | - | 27,360 | - | - | | 433,310 |
| Other assets | 2,128,969 | | | | <u> </u> | | (75,000) | 2,053,969 |
| Total other assets | 2,534,919 | <u> </u> | | 27,360 | <u> </u> | | (75,000) | 2,487,279 |
| Total assets | \$ 81,758,632 | \$ 467,067 | \$ \$ | 4,651,316 | \$ 129,567 | \$354,710_ | \$(5,629,359) \$ | 82,808,731 |
| Liabilities and Net Assets | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and other current liabilites | \$ 1,746,449 | | | | \$ - 9 | \$ - | \$ - \$ | ,, - |
| Accrued expenses | 6,907,080 | 2,718 | 1,801 | 157,830 | - | - | - | 7,069,429 |
| Current maturities of long-term debt | 782,426 | - | - | - | - | - | - | 782,426 |
| Current portion of deferred payroll taxes | 1,827,160 | 244.070 | 200.704 | 4 000 040 | - | - | (F 20F 400) | 1,827,160 |
| Due to affiliates Deferred revenue | 2,277,827 2,239,807 | 314,670 | 380,761 | 1,860,010 | _ | 562,220 | (5,395,488) | 2,239,807 |
| | | | | | · | | (5.005.400) | |
| Total current liabilities | 15,780,749 | 317,814 | 383,854 | 2,025,854 | - | 562,220 | (5,395,488) | 13,675,003 |
| Long-term debt, net of current maturities | 30,073,647 | 263,901 | 376,946 | - | - | - | - | 30,714,494 |
| Other liabilities | 2,767,422 | | | | | | <u> </u> | 2,767,422 |
| Total liabilities | 48,621,818 | 581,715 | 760,800 | 2,025,854 | <u> </u> | 562,220 | (5,395,488) | 47,156,919 |
| Net assets (deficit): | | | | | | | | |
| Without donor restrictions | 33,114,193 | (730,648) | (398,802) | 2,625,462 | 129,567 | (207,510) | (233,871) | 34,298,391 |
| With donor restrictions | 22,621 | 616,000 | 714,800 | | - | | - | 1,353,421 |
| Total net assets (deficit) | 33,136,814 | (114,648) | 315,998 | 2,625,462 | 129,567 | (207,510) | (233,871) | 35,651,812 |
| Total liabilities and net assets | \$ 81,758,632 | \$ | \$ 1,076,798 \$ | 4,651,316 | \$ 129,567 | \$354,710 | \$(5,629,359) \$ | 82,808,731 |

Consolidating Schedule of Activities

Year Ended June 30, 2022

| | The May Institute, Inc. | Greater Springfield Residences, Inc. | May-West Roxbury Residences, Inc. | Bay School | May International LLC | National Autism Center, Inc. | Eliminations | Consolidated Total |
|---|----------------------------|--|---|--------------|-----------------------------|------------------------------------|--------------|-----------------------|
| Revenues, other support, gains and losses: | | | | | | | | |
| Tuition | \$ 53,656,271 | \$ - | \$ - | \$ 4,057,973 | \$ - | \$ - \$ | - \$ | 57,714,244 |
| Contract revenue | 65,778,696 | - | - | - | - | - | - | 65,778,696 |
| Third-party fees | 15,019,993 | - | - | - | - | - | - | 15,019,993 |
| Consumer revenue | 3,214,155 | 31,189 | 22,884 | - | - | - | - | 3,268,228 |
| Other program revenue | 1,219,199 | - | - | - | - | - | - | 1,219,199 |
| Grants and subsidies | 1,495,417 | - | - | - | - | - | - | 1,495,417 |
| Contributions and fundraising | 671,325 | - | - | 50,342 | - | 21,300 | - | 742,967 |
| Consulting and management services | 88,434 | 41,579 | 38,310 | - | - | - | - | 168,323 |
| Investment return (loss), net | (1,617,678) | 18 | 35 | - | - | - | - | (1,617,625) |
| Gain on sale of assets | 903,480 | - | - | - | - | - | - | 903,480 |
| Other sources | 168,152 | <u> </u> | <u> </u> | 888 | <u> </u> | 883 | | 169,923 |
| Total revenues, other support, gains and losses | 140,597,444 | 72,786 | 61,229 | 4,109,203 | <u> </u> | 22,183 | | 144,862,845 |
| Expenses: | | | | | | | | |
| The May Institute, Inc. program services: | | | | | | | | |
| Educational Services | 50,333,597 | - | - | _ | _ | - | - | 50,333,597 |
| Adult Residential and Day Services | 62,145,656 | - | - | _ | _ | - | - | 62,145,656 |
| Home, School & Center Based Services | 9,317,237 | - | - | - | - | - | - | 9,317,237 |
| Other programs | 1,774,952 | - | - | - | - | - | - | 1,774,952 |
| Bay School program services | - | - | - | 4,179,412 | - | - | - | 4,179,412 |
| National Autism Center, Inc. program services | - | - | - | - | _ | 149,389 | - | 149,389 |
| Greater Springfield Residences, Inc. program services | - | 100,951 | - | - | - | - | - | 100,951 |
| May-West Roxbury Residences, Inc. program services | | <u> </u> | 98,237 | | . <u> </u> | | | 98,237 |
| Total program service expenses | 123,571,442 | 100,951 | 98,237 | 4,179,412 | - | 149,389 | - | 128,099,431 |
| Management and general | 13,148,102 | 7,779 | 5,125 | 444,141 | - | 15,714 | - | 13,620,861 |
| Fundraising | 502,033 | <u> </u> | | | <u> </u> | <u> </u> | | 502,033 |
| Total expenses | 137,221,577 | 108,730 | 103,362 | 4,623,553 | <u> </u> | 165,103 | | 142,222,325 |
| Change in net assets | 3,375,867 | (35,944) | (42,133) | (514,350) | - | (142,920) | - | 2,640,520 |
| Member equity - investment in sub | - | - | - | - | 75,000 | - | (75,000) | - |
| Net assets, beginning of year | 29,760,947 | (78,704) | 358,131 | 3,139,812 | 54,567 | (64,590) | (158,871) | 33,011,292 |
| Net assets, end of year | \$33,136,814 | \$(114,648) | \$315,998 | \$2,625,462 | \$129,567 | \$(207,510) | (233,871) | 35,651,812 |

See Independent Auditors' Report.