

**Single Audit
Reporting Package**
**Massachusetts Housing and
Shelter Alliance, Inc.**
June 30, 2009

Massachusetts Housing and Shelter Alliance, Inc.

Single Audit Reporting Package

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

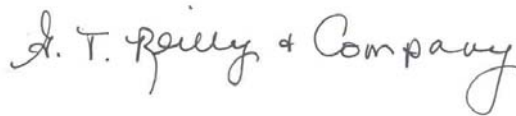
Board of Directors
Massachusetts Housing and Shelter Alliance, Inc.

We have audited the accompanying statements of financial position of Massachusetts Housing and Shelter Alliance, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Housing and Shelter Alliance, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, on our consideration of Massachusetts Housing and Shelter Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



G. T. Reilly & Company

Milton, Massachusetts
November 12, 2009

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Financial Position

For the years ended June 30

Assets

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 417,550	\$ 262,221
Contracts receivable	612,155	588,672
Other receivables	709	6,941
Investments (Notes 2 & 4)	628,380	681,686
Prepaid expenses	26,547	56,228
Security deposits	9,950	9,475
TOTAL CURRENT ASSETS	<u>1,695,291</u>	<u>1,605,223</u>
FURNITURE AND EQUIPMENT (Note 2)		
Office equipment	16,219	16,219
Computer equipment	32,974	32,238
Office furniture	8,028	8,028
	<u>57,221</u>	<u>56,485</u>
Less accumulated depreciation	47,819	41,541
TOTAL FURNITURE AND EQUIPMENT, NET	<u>9,402</u>	<u>14,944</u>
TOTAL ASSETS	<u>\$ 1,704,693</u>	<u>\$ 1,620,167</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 64,136	\$ 85,292
Due to subrecipients	829,179	539,928
TOTAL CURRENT LIABILITIES	<u>893,315</u>	<u>625,220</u>
COMMITMENTS AND CONTINGENCIES (Notes 5 & 7)		
NET ASSETS (Notes 2 & 6)		
Unrestricted	794,711	978,280
Temporarily restricted	16,667	16,667
TOTAL NET ASSETS	<u>811,378</u>	<u>994,947</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,704,693</u>	<u>\$ 1,620,167</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Activities and Changes in Net Assets

For the Years Ended June 30

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Government contracts	\$ 6,621,266	\$ 0	\$ 6,621,266	\$ 6,320,808	\$ 0	\$ 6,320,808
Grants and contributions	147,711	101,000	248,711	139,450	159,000	298,450
Contributed services (Note 2)	2,125	0	2,125	0	0	0
Program fees	68,496	0	68,496	38,314	0	38,314
Interest income	25,230	0	25,230	31,343	0	31,343
Net assets released from restrictions (Note 6)	101,000	(101,000)	0	167,333	(167,333)	0
TOTAL OPERATING REVENUE AND SUPPORT	6,965,828	0	6,965,828	6,697,248	(8,333)	6,688,915
OPERATING EXPENSES						
Program Expenses:						
Transitional Program and						
Emergency Shelter Services	4,734,945	0	4,734,945	4,674,544	0	4,674,544
Housing and Economic Development	2,003,205	0	2,003,205	1,715,443	0	1,715,443
Technical Assistance and Technology	6,860	0	6,860	39,615	0	39,615
Education and Planning	0	0	0	763	0	763
Total Program Expenses	6,745,010	0	6,745,010	6,430,365	0	6,430,365
Supporting Expenses:						
Fundraising and Development	92,382	0	92,382	102,535	0	102,535
General and Administrative	157,354	0	157,354	152,565	0	152,565
Total Supporting Expenses	249,736	0	249,736	255,100	0	255,100
TOTAL OPERATING EXPENSES	6,994,746	0	6,994,746	6,685,465	0	6,685,465
CHANGE IN NET ASSETS FROM OPERATIONS	(28,918)	0	(28,918)	11,783	(8,333)	3,450
NON-OPERATING ACTIVITIES						
Realized and unrealized losses on investments (Note 4)	(154,651)	0	(154,651)	(76,092)	0	(76,092)
TOTAL CHANGE IN NET ASSETS	(183,569)	0	(183,569)	(64,309)	(8,333)	(72,642)
NET ASSETS AT BEGINNING OF YEAR	978,280	16,667	994,947	1,042,589	25,000	1,067,589
NET ASSETS AT END OF YEAR	\$ 794,711	\$ 16,667	\$ 811,378	\$ 978,280	\$ 16,667	\$ 994,947

Massachusetts Housing and Shelter Alliance, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2009

	Transitional Program and Emergency Shelter	Housing and Economic Development	Technical Assistance & Technology	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 308,147	\$ 129,484	\$ 0	\$ 437,631	\$ 17,378	\$ 75,869	\$ 530,878
Payroll Tax	23,823	11,705		35,528	1,273	9,328	46,129
Employee benefits	32,236	24,728		56,964	351	5,829	63,144
Total salaries and related expenses	364,206	165,917	0	530,123	19,002	91,026	640,151
Bank charges	133	72		205	250	10,399	10,854
Conferences and materials	1,395			1,395	85	135	1,615
Contributions & grants				0		6,908	6,908
Depreciation	4,076	1,290		5,366	348	564	6,278
Direct care consultants		32,320		32,320			32,320
Dues and subscriptions	6,199	811		7,010	560	830	8,400
Equipment rental/maintenance	1,943	1,049		2,992	166	269	3,427
Filing fees	520	364		884	44	3,939	4,867
Food/meals	101	380		481	352	1,014	1,847
Insurance	8,117	2,569		10,686	694	1,123	12,503
Network administrator	7,733	2,448		10,181	661	1,069	11,911
Miscellaneous				0		748	748
Office supplies	2,714	977		3,691	616	667	4,974
Office rent	26,486	8,384		34,870	2,264	3,664	40,798
Other consultants	1,254	15,000	6,860	23,114	440	30,313	53,867
Payroll processing	889	281		1,170	76	123	1,369
Postage	858	282		1,140	6,357	122	7,619
Printing	2,205	690		2,895	16,312	575	19,782
Professional fees	13,081	4,141		17,222	1,120	1,808	20,150
Program facilities	454,086	875,967		1,330,053			1,330,053
Rental assistance		239,985		239,985			239,985
Special events and fundraising	1,974	308		2,282	41,538	187	44,007
Staff training		140		140	370	676	1,186
Staff travel and related expenses	6,230	975		7,205	321	74	7,600
Subrecipients	3,822,639	613,299		4,435,938			4,435,938
Telephone and fax	4,626	2,526		7,152	396	640	8,188
Tenant furnishings		2,236		2,236	112		2,348
Utilities	3,480	30,794		34,274	298	481	35,053
Total	<u>\$ 4,734,945</u>	<u>\$ 2,003,205</u>	<u>\$ 6,860</u>	<u>\$ 6,745,010</u>	<u>\$ 92,382</u>	<u>\$ 157,354</u>	<u>\$ 6,994,746</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2008

	Transitional Program and Emergency Shelter	Housing and Economic Development	Technical Assistance & Technology	Education and Planning	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 287,362	\$ 126,268	\$ 973	\$ 0	\$ 414,603	\$ 16,207	\$ 68,546	\$ 499,356
Payroll Tax	25,698	11,426	100		37,224	1,463	6,344	45,031
Employee benefits	37,399	22,850	54		60,303	2,212	5,519	68,034
Total salaries and related expenses	350,459	160,544	1,127	0	512,130	19,882	80,409	612,421
Advertising		100			100	200	1,603	1,903
Bank charges					0		11,020	11,020
Conferences and materials		609		125	734	155		889
Contributions & grants					0	600	400	1,000
Depreciation	5,507	1,743			7,250	471	762	8,483
Direct care consultants		53,968			53,968	8,333		62,301
Dues and subscriptions	6,449				6,449	706	163	7,318
Equipment rental/maintenance	1,508	1,365			2,873	129	489	3,491
Filing fees	1,094	1,195			2,289	202	3,656	6,147
Food/meals	36	47		8	91	902	777	1,770
Insurance	7,691	3,344			11,035	658	1,064	12,757
Network administrator	7,448	2,357			9,805	931	1,030	11,766
Miscellaneous		458			458		3,321	3,779
Office supplies	3,229	1,146		85	4,460	296	3,084	7,840
Office rent	25,468	8,062			33,530	2,177	3,523	39,230
Other consultants			38,488		38,488	940	31,025	70,453
Payroll processing	963	305			1,268	82	133	1,483
Postage	916	312			1,228	5,133	621	6,982
Printing	945	299			1,244	10,437	499	12,180
Professional fees	11,199	3,545			14,744	957	1,549	17,250
Program facilities	454,034	650,192			1,104,226			1,104,226
Rental assistance	0	201,680			201,680			201,680
Special events and fundraising	0	0		161	161	46,799	980	47,940
Staff training	0	359			359	749	2,688	3,796
Staff travel and related expenses	2,412	1,240		384	4,036	219	2,989	7,244
Subrecipients	3,789,549	590,138			4,379,687			4,379,687
Telephone and fax	2,879	2,878			5,757	246	398	6,401
Tenant furnishings	0	3,679			3,679	1,095		4,774
Utilities	2,758	25,878			28,636	236	382	29,254
Total	<u>\$ 4,674,544</u>	<u>\$ 1,715,443</u>	<u>\$ 39,615</u>	<u>\$ 763</u>	<u>\$ 6,430,365</u>	<u>\$ 102,535</u>	<u>\$ 152,565</u>	<u>\$ 6,685,465</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Cash Flows

For the Year Ended June 30

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (183,569)	\$ (72,642)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,278	8,483
Realized and unrealized losses on investments	154,651	76,092
Amortization of investment premiums	523	284
Changes in operating assets and liabilities:		
Contracts receivable	(23,483)	(25,385)
Other receivables	6,232	5,868
Prepaid expenses	29,681	(954)
Security deposits	(475)	(2,050)
Accounts payable and accrued expenses	(21,156)	(13,680)
Due to subrecipients	289,251	(182,201)
	<u>257,933</u>	<u>(206,185)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(736)	(4,295)
Purchases of investments	(389,604)	(252,313)
Proceeds from maturities and sales of investments	287,736	176,120
	<u>(102,604)</u>	<u>(80,488)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	155,329	(286,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>262,221</u>	<u>548,894</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 417,550</u>	<u>\$ 262,221</u>

Notes to Financial Statements

June 30, 2009

Note 1 – Nature of Activities

Massachusetts Housing and Shelter Alliance, Inc. (the "Organization") was incorporated in Massachusetts as a non-profit organization on July 17, 1990. The stated purpose of the Organization is to provide social work, social services, education and public service functions. The Organization provides a forum in Massachusetts for the planning, coordination, communication, advocacy, development and implementation of programs for unaccompanied homeless adult persons. Persons receive the benefits of shelter, housing and services region-wide through program management, development, policy-making, program administration, technical assistance, resource development, and coordination, planning and monitoring activities.

The Organization currently provides the following services:

Emergency Shelter and Transitional Programs – provided over 500 emergency shelter and transitional beds, and serviced homeless individuals in Massachusetts in partnership with community-based providers of service, YMCAs and YWCAs.

Housing and Economic Development Services – provides assistance in production of "Housing First" models of housing, production of housing for chronic homeless and long-term homeless persons, housing search and placement, rental assistance, employment search and placement and stabilization services to homeless individuals in Greater Boston and four other regions of the Commonwealth. The program includes "Home and Healthy for Good" and "Journey to Success" initiatives.

Technical Assistance and Technology – designed to ensure that federal, state and municipal technology resources work in partnership to reduce homelessness. Massachusetts Housing and Shelter Alliance provides assistance to support case managers, shelter staff, discharge planners, and aftercare planners with a one-stop technological resource for appropriate next step opportunities for homeless individuals.

Education and Planning – provides a forum in the Commonwealth of Massachusetts for the planning and coordination of policy, education and communication of issues and the piloting and implementation of housing and programs for homeless individuals designed to end the Commonwealth's reliance on emergency services.

Note 2 – Summary of Significant Accounting Principles

Standards of Accounting and Reporting -The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide "Not-for-Profit Organizations."

Financial Statement Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (see Note 6). A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Note 2 – Summary of Significant Accounting Principles (Cont.)

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to the restrictions or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2009 and 2008 and, accordingly, the accompanying financial statements do not reflect any activity related to this class of net assets for 2009 and 2008.

Use of Estimates - The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contracts and Other Receivables – Contracts and other receivables are stated net of an allowance for doubtful accounts, when considered necessary by management, which would be reported on the face of the Organization's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts, the Organization's history of prior loss experience and on current economic conditions. Accounts receivables are written off and charged against the allowance when management believes that the collectability of the specific account is unlikely. There is no allowance for doubtful accounts recorded at June 30, 2009 and 2008 as none was considered necessary by management.

Furniture and Equipment - These assets are recorded at cost when purchased or, if donated, at their estimated fair market value at date of donation. Acquisitions of furniture and equipment and expenditures for repairs and improvements that materially prolong the useful lives of assets are capitalized.

Depreciation - Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are currently being depreciated over 3 - 7 years.

Allocation of Expenses - Expenses are allocated among program and supporting services directly, or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments – Investments in marketable equity securities with a readily determinable fair value (including mutual funds) and all debt securities are reported at fair value, with unrealized gains and losses reflected in the statement of activities (see Note 4).

Fair Value Measurements - Effective July 1, 2008, the Organization adopted the Financial Accounting Standards Board's (FASB) Statement No. 157 (FAS No. 157), "Fair Value Measurements", for assets and liabilities that are measured and recorded at fair value on a recurring basis, and to determine fair value disclosures. FAS No. 157 applies to certain other existing accounting pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting.

Note 2 – Summary of Significant Accounting Principles (Cont.)

FAS No. 157 defines fair value 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. It establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers consist of: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The initial application of FAS No. 157 is limited to the Organization's investment securities (see Note 4).

Contract Revenue Recognition - Contracts are recognized as revenue upon performance of reimbursable activities. In some cases, the contracts have been restricted by the funding source as being only available for use in specific programs. These funds are normally expended as received and are recorded together with other unrestricted revenue. The Organization provides service under a variety of third-party agreements, many of which provide for current payment on a provisional basis, subject to cost reports and audits by the respective contracting parties.

Promises To Give - Unconditional promises to give are recognized as revenues or gains in the period in which the pledge is made at the present value of future cash flows, and recorded as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Restricted and Unrestricted Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions (see Note 6).

Contributed Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The value of donated services is included in the accompanying financial statements as support, with corresponding amounts included as expenses, based upon values estimated by management or the donating organization. The Organization received \$2,125 in contributed services for the year ended June 30, 2009. There were no qualified contributed services received during 2008.

Evaluation of Subsequent Events - In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Organization for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2009 up through November 12, 2009, the date the accompanying financial statements were available to be issued.

Note 3 - Tax Status

Massachusetts Housing and Shelter Alliance, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Note 4 - Investments

The Organization maintains its investment accounts at a local financial institution. The investments are allocated among various equity and debt instruments. Investments are carried at quoted market values as summarized below:

	Cost	Unrealized Gains (Losses)	Fair Market Value
<u>June 30, 2009</u>			
Equity Securities	\$ 359,667	\$ (27,157)	\$ 332,509
Corporate Bonds	205,933	10,489	216,422
U.S. Treasury Obligations	75,565	3,884	79,449
	\$ 641,165	\$ (12,784)	\$ 628,380
<u>June 30, 2008</u>			
Equity Securities	\$ 484,649	\$ 43,406	\$ 528,055
Corporate Bonds	50,041	53	50,094
U.S. Treasury Obligations	100,826	2,711	103,537
	\$ 635,516	\$ 46,170	\$ 681,686

The Organization's investments are measured and reported at fair value using quoted market prices in active markets (Level 1 inputs – see Note 1) as of June 30, 2009.

Investment returns and fees consist of the following for the year ended June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 24,611	\$ 30,349
Amortization of investment premiums	(523)	(284)
Realized losses	(95,697)	(26,453)
Unrealized losses	(58,954)	(49,639)
Total investment returns	\$ (130,563)	\$ (46,027)
Investment fees	\$ 10,587	\$ 10,812

Note 5 - Line of Credit

The Organization maintains a line of credit with a local bank, collateralized by all business assets. The line allows a maximum draw down of \$150,000. Borrowings under the agreement are due on demand, and interest is payable monthly at the Wall Street Journal prime rate. As of June 30, 2009 and 2008 no amounts were outstanding under this agreement.

Note 6 – Net Assets

The Organization's net assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Unrestricted:		
Undesignated	\$ 788,504	\$ 972,073
Board designated	6,207	6,207
	\$ 794,711	\$ 978,280
Temporarily restricted:		
Housing consortium for discharge planning	\$ 16,667	\$ 16,667

Note 6 – Net Assets (Cont.)

The board-designated net assets represent surplus funds from the October of 2006 "Ending Homelessness" conference to be used for future like-kind events.

Temporarily restricted net assets were released for the following purposes during the year ended June 30:

	<u>2009</u>	<u>2008</u>
Home and Healthy for Good	\$ 0	\$ 153,000
Journey to Success	6,000	6,000
Housing consortium for discharge planning	0	8,333
Operational support	95,000	0
	<u>\$ 101,000</u>	<u>\$ 167,333</u>

Note 7 – Lease Commitments

Occupancy Leases – During May of 2006, the Organization moved its principal offices to 25 Kingston Street, Boston, Massachusetts. The office space, leased from an entity administered by a member of the Organization's Board of Directors (see Note 9), is for a five-year term expiring June 30, 2011. The lease agreement also subjects the Organization to its proportionate share of operating costs. Rent expense under this lease agreement totaled \$40,798 and \$39,230 for the years ended June 30, 2009 and 2008, respectively.

The following is a schedule of future minimum lease payments due under the non-cancellable Kingston Street lease:

<u>Year Ending June 30</u>	
2010	\$ 42,430
2011	44,128
	<u>\$ 86,558</u>

Program Leases – In conjunction with government funded programs, the Organization makes rent payments on behalf of program participants for residential housing. Total client housing expenditures eligible for reimbursement were approximately \$240,000 and \$202,000 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments for the benefit of program participants due under non-cancellable program occupancy leases total \$14,390 for the year ending June 30, 2010.

Also, in conjunction with government funded programs, the Organization holds lease agreements with various subcontractors, such as YMCAs and YWCAs as well as post-detox/pre-recovery clinics for housing programs providing transitional assistance and rooms for homeless people. Rates are based on an as-needed basis only, and are eligible for reimbursement. These expenses are recorded by the Organization as subcontractor and program facility expense as specified by the government reimbursement contract.

Equipment Lease – The Organization leases a copier machine used in its operations, which is reported as an operating lease whereby the lease payments are expensed as incurred. The copier lease expense was \$2,165 and \$2,230 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments due under the non-cancellable copier lease total \$2,041 for the year ending June 30, 2010.

Note 8 - Employee Benefit Plan

The Organization offers a 403(b) retirement savings plan for its employees. For each plan year, the employer may contribute to the plan on behalf of each eligible participant. The Board of Directors determines the amount, if any, of the employer matching contribution. The contributions for the years ended June 30, 2009 and 2008 totaled \$9,023 and \$9,333, respectively.

Note 9 - Related Party Transactions

Six members of the Organization's Board of Directors are Executive Directors of organizations that hold subcontracts with Massachusetts Housing and Shelter Alliance, Inc. In addition, the Organization leases office space from an investment property trust as detailed in Note 7. That entity's trustee serves on the Board of Directors for Massachusetts Housing and Shelter Alliance, Inc.

The Organization also does the majority of its banking at a local bank, of which one of the Organization's board members is a vice president. In addition, the Organization receives contributions from various board members or their affiliated organizations.

Below is a summary of related party transactions for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Expenses:		
Subcontractors/program facilities	\$ 1,349,845	\$ 1,345,891
Office rent	40,798	39,229
Direct care consultants	32,320	53,968
	<u>\$ 1,422,963</u>	<u>\$ 1,439,088</u>
Revenues:		
Contributions	<u>\$ 10,000</u>	<u>\$ 22,609</u>
Liabilities:		
Due to subrecipients	\$ 192,995	\$ 170,019
Accounts payable and accrued expenses	0	13,492
	<u>\$ 192,995</u>	<u>\$ 183,511</u>

Note 10 - Financial Instruments and Concentrations of Credit Risk

The Organization maintains a significant portion of its cash balances in two banks. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 each. At times during the year, cash balances may exceed the insured amounts. On June 30, 2009, the Organization's cash balance in one of the two banks exceeded FDIC coverage by approximately \$286,000, based upon the bank balances. At June 30, 2009, the Organization also maintains, in a separate financial institution, a cash equivalent balance of approximately \$5,000 in an uninsured money market account. The Organization performs periodic evaluations of the relative credit standings of the banks to limit the amount of credit exposure with these financial institutions.

The Organization's accounts receivable are amounts predominantly due from federal, state and local governments. The Organization received approximately \$6,288,000 (92%) and \$6,215,000 (94%) of its total revenues and support from the Commonwealth of Massachusetts during 2009 and 2008, respectively.

Note 11 – Surplus Revenue Retention Regulations

The Commonwealth of Massachusetts, Division of Purchased Services regulations concerning "Not-for-Profit Surplus Revenue Retention" permit not-for-profit providers, such as the Organization, to retain a "surplus" of up to 5% of revenues attributable to agreements with the Commonwealth of Massachusetts for the provision of social services, and to utilize such surplus for its established charitable purposes. The regulations also limit the cumulative amount of such retained surplus to an amount equal to 20% of the prior year's related gross revenues.

Note 11 – Surplus Revenue Retention Regulations (Cont.)

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

According to the Division's policy, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of unrestricted fund balance. Any surplus revenue retained in excess of the aforementioned limits is to be reported as an unrestricted liability. The Organization currently has no surplus revenue that would be required to be reported as a liability or as a separate component of unrestricted fund balance at June 30, 2009. The following schedule represents the components of unrestricted net assets:

	<u>Unrestricted Net Assets</u>	<u>Comm. Of Massachusetts Cumulative Revenue/ (Deficits)</u>	<u>Total</u>
Balance at July 1, 2007	\$ 1,180,320	\$ (137,731)	\$ 1,042,589
Change in net assets	(64,309)	0	(64,309)
Balance at June 30, 2008	1,116,011	(137,731)	978,280
Change in net assets	(183,569)	0	(183,569)
Balance at June 30, 2009	<u>\$ 932,442</u>	<u>\$ (137,731)</u>	<u>\$ 794,711</u>

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc.

Our report on the basic financial statements of Massachusetts Housing and Shelter Alliance, Inc. appears on page one. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Massachusetts Housing and Shelter Alliance, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Milton, Massachusetts
November 12, 2009

Massachusetts Housing and Shelter Alliance, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass through Number	Award	Federal Expenditures
<u>U.S. Dept. of Housing & Urban Dev.</u>				
Direct Program:				
Technical Assistance	14.239	MAMV-002-04	\$ 50,000	<u>\$ 6,860</u>
Pass through Commonwealth of Massachusetts, Dept. of Transitional Assistance:				
Emergency Shelter Grant Program	14.231	CTWEL3091ESHELTER006	243,835	<u>243,835</u>
Pass through Commonwealth of Massachusetts, Dept. of Public Health:				
Post Detox/Pre-Recovery	14.235	SCDPH23115ES40740000	209,687	209,687
Journey to Success	14.235	INTF2311MM3W66409113	387,730	<u>272,064</u>
				<u>481,751</u>
Pass through City of Boston, Dept. of Neighborhood Development				
Home & Healthy:				
11/01/07 - 10/31/10	14.235	C-24184-08	990,748	<u>326,414</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u><u>\$ 1,058,860</u></u>
SUMMARY BY CFDA NUMBER:				
	14.231			\$ 243,835
	14.235			808,165
	14.239			6,860
				<u><u>\$ 1,058,860</u></u>

Massachusetts Housing and Shelter Alliance, Inc.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Massachusetts Housing and Shelter Alliance, Inc. on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Massachusetts Housing and Shelter Alliance, Inc. provided federal awards to subrecipients, which are included in the schedule, as follows:

U.S. Dept. of Housing & Urban Development

Emergency Shelter Grant Program: CFDA #14.231

Berkeley Residence/Boston YWCA	\$ 91,074
Cambridge YWCA	23,400
Central Branch Boston YMCA	66,848
Chelsea YMCA	42,231
Salvation Army	20,282
	<u>243,835</u>

Home and Healthy Program: CFDA #14.235

Caritas Communities	<u>304,949</u>
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Post Detox/Pre-Recovery: CFDA #14.235

Henry Willis Center	57,148
High Point Treatment Center	53,362
South Middlesex Opportunity Council	93,191
	<u>203,701</u>

TOTAL EXPENDITURES TO SUBRECIPIENTS	<u>\$ 752,485</u>
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Note 3 – Assistance to Program Participants

Massachusetts Housing and Shelter Alliance, Inc. provided federal awards, in the form of lease payments, under the Journey to Success Program (CFDA #14.235), to various private party landlords on behalf of program participants. Rental assistance payments for the year were \$239,985. Such amounts are included in the Schedule of Expenditures of Federal Awards.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc.

We have audited the financial statements of Massachusetts Housing and Shelter Alliance, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Massachusetts Housing and Shelter Alliance, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Massachusetts Housing and Shelter Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Massachusetts Housing and Shelter Alliance, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

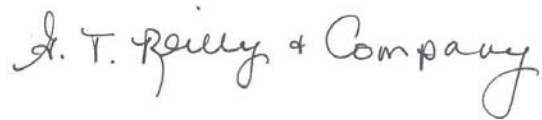
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Massachusetts Housing and Shelter Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of Massachusetts Housing and Shelter Alliance, Inc. and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G. T. Reilly & Company

Milton, Massachusetts
November 12, 2009

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc.

Compliance

We have audited the compliance of Massachusetts Housing and Shelter Alliance, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. Massachusetts Housing and Shelter Alliance, Inc.'s major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Massachusetts Housing and Shelter Alliance, Inc.'s management. Our responsibility is to express an opinion on Massachusetts Housing and Shelter Alliance, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Massachusetts Housing and Shelter Alliance, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Massachusetts Housing and Shelter Alliance, Inc.'s compliance with those requirements.

In our opinion, Massachusetts Housing and Shelter Alliance, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

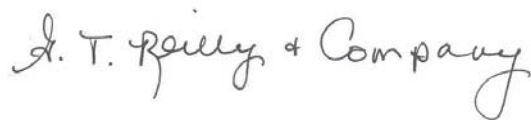
The management of Massachusetts Housing and Shelter Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Massachusetts Housing and Shelter Alliance, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Massachusetts Housing and Shelter Alliance, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management of Massachusetts Housing and Shelter Alliance, Inc., and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



G. T. Reilly & Company

Milton, Massachusetts
November 12, 2009

Massachusetts Housing and Shelter Alliance, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Massachusetts Housing and Shelter Alliance, Inc.
2. There are no significant deficiencies relating to the audit of the financial statements that are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance material to the financial statements of Massachusetts Housing and Shelter Alliance, Inc. disclosed during the audit.
4. There are no significant deficiencies relating to the audit of the major federal award programs reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for major federal award programs for Massachusetts Housing and Shelter Alliance, Inc. expresses an unqualified opinion.
6. The audit did not disclose any audit findings relating to major federal award programs for Massachusetts Housing and Shelter Alliance, Inc. that are required to be reported in this schedule.
7. The program tested as a major program was Supportive Housing Grant #14.235.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Massachusetts Housing and Shelter Alliance, Inc. was determined to be a low-risk auditee.

Findings – Financial Statements Audit

None

Federal Award Program Audit

None

Massachusetts Housing and Shelter Alliance, Inc.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2009

There were no prior audit findings.