

**Single Audit
Reporting Package**
**Massachusetts Housing and
Shelter Alliance, Inc.**
June 30, 2011

Massachusetts Housing and Shelter Alliance, Inc.

Single Audit Reporting Package

June 30, 2011

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INDEPENDENT AUDITORS' REPORT

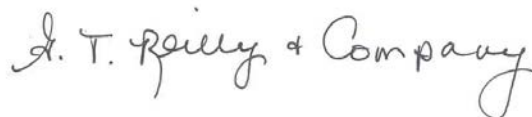
Board of Directors
Massachusetts Housing and Shelter Alliance, Inc.

We have audited the accompanying statements of financial position of Massachusetts Housing and Shelter Alliance, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 10, 2011, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 10, 2011

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Financial Position

For the years ended June 30

Assets

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,232	\$ 577,794
Contracts receivable	850,988	601,170
Note receivable (Note 5)	100,000	75,000
Other receivables	870	3,695
Investments (Notes 2 & 4)	691,508	672,612
Prepaid expenses	13,697	19,855
Security deposits	12,050	9,950
TOTAL CURRENT ASSETS	<u>1,980,345</u>	<u>1,960,076</u>
FURNITURE AND EQUIPMENT (Note 2)		
Office equipment	16,219	16,219
Computer equipment	37,013	34,343
Office furniture	8,028	8,028
	<u>61,260</u>	<u>58,590</u>
Less accumulated depreciation	55,523	52,555
TOTAL FURNITURE AND EQUIPMENT, NET	<u>5,737</u>	<u>6,035</u>
TOTAL ASSETS	<u>\$ 1,986,082</u>	<u>\$ 1,966,111</u>
<u>Liabilities and Net Assets</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 128,895	\$ 82,821
Due to subrecipients	1,002,946	955,721
Bank line of credit (Note 6)	30,217	25,000
TOTAL CURRENT LIABILITIES	<u>1,162,058</u>	<u>1,063,542</u>
COMMITMENTS AND CONTINGENCIES (Notes 6 & 8)		
NET ASSETS (Notes 2 & 7)		
Unrestricted	722,357	830,442
Temporarily restricted	101,667	72,127
TOTAL NET ASSETS	<u>824,024</u>	<u>902,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,986,082</u>	<u>\$ 1,966,111</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Activities and Changes in Net Assets

For the Years Ended June 30

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Government contracts	\$ 8,126,199	\$ 0	\$ 8,126,199	\$ 6,767,551	\$ 0	\$ 6,767,551
Grants and contributions	165,179	297,500	462,679	154,030	333,450	487,480
Contributed services (Note 2)	94,000	0	94,000	0	0	0
Program fees	93,360	0	93,360	84,246	0	84,246
Interest income	26,450	0	26,450	23,867	0	23,867
Net assets released from restrictions (Note 7)	267,960	(267,960)	0	277,990	(277,990)	0
TOTAL OPERATING REVENUE AND SUPPORT	8,773,148	29,540	8,802,688	7,307,684	55,460	7,363,144
OPERATING EXPENSES						
Program Expenses:						
Transitional Program and						
Emergency Shelter Services	4,942,090	0	4,942,090	4,722,749	0	4,722,749
Housing and Economic Development	3,519,725	0	3,519,725	2,182,053	0	2,182,053
Technical Assistance and Technology	134,073	0	134,073	108,690	0	108,690
Education and Planning	14,230	0	14,230	0	0	0
Total Program Expenses	8,610,118	0	8,610,118	7,013,492	0	7,013,492
Supporting Expenses:						
Fundraising and Development	131,222	0	131,222	125,772	0	125,772
General and Administrative	213,489	0	213,489	186,986	0	186,986
Total Supporting Expenses	344,711	0	344,711	312,758	0	312,758
TOTAL OPERATING EXPENSES	8,954,829	0	8,954,829	7,326,250	0	7,326,250
CHANGE IN NET ASSETS FROM OPERATIONS	(181,681)	29,540	(152,141)	(18,566)	55,460	36,894
NON-OPERATING ACTIVITIES						
Realized and unrealized gains on investments (Note 4)	73,596	0	73,596	54,297	0	54,297
TOTAL CHANGE IN NET ASSETS	(108,085)	29,540	(78,545)	35,731	55,460	91,191
NET ASSETS AT BEGINNING OF YEAR	830,442	72,127	902,569	794,711	16,667	811,378
NET ASSETS AT END OF YEAR	\$ 722,357	\$ 101,667	\$ 824,024	\$ 830,442	\$ 72,127	\$ 902,569

Massachusetts Housing and Shelter Alliance, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2011

	Transitional Program and Emergency Shelter	Housing and Economic Development	Technical Assistance & Technology	Education and Planning	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 381,803	\$ 151,150	\$ 33,784	\$ 0	\$ 566,737	\$ 38,048	\$ 59,404	\$ 664,189
Payroll Tax	30,499	11,611	3,136	0	45,246	3,072	4,752	53,070
Employee benefits	43,677	28,665	4,568	0	76,910	4,594	7,978	89,482
Total salaries and related expenses	455,979	191,426	41,488	0	688,893	45,714	72,134	806,741
Advertising	211	36	2	0	249	667	426	1,342
Bank charges	162	74	4	0	240	566	5,095	5,901
Conferences and materials	445	0	0	0	445	755	4	1,204
Contributions & grants	558	27	3,002	0	3,587	206	2,142	5,935
Depreciation	1,721	786	45	0	2,552	163	253	2,968
Direct care consultants	42,006	141,700	77,812	0	261,518	0	0	261,518
Dues and subscriptions	3,881	1,773	100	0	5,754	1,125	2,856	9,735
Equipment rental/maintenance	2,336	1,258	60	0	3,654	272	392	4,318
Filing fees	2,626	971	55	0	3,652	202	936	4,790
Food/meals	1,369	213	11	372	1,965	748	3,166	5,879
Insurance	8,557	3,910	221	0	12,688	811	1,254	14,753
Interest expense	21	10	0	0	31	2	2,090	2,123
Network administrator	5,512	2,519	143	0	8,174	523	807	9,504
Miscellaneous	50	0	0	18	68	0	424	492
Office supplies	3,058	2,851	72	92	6,073	857	841	7,771
Office rent	26,298	12,015	680	0	38,993	2,494	3,854	45,341
Other consultants	0	0	0	0	0	440	90,170	90,610
Payroll processing	916	419	24	0	1,359	87	133	1,579
Postage	1,221	472	27	273	1,993	11,148	222	13,363
Printing	2,189	1,000	57	60	3,306	32,279	1,445	37,030
Professional fees	562	257	15	0	834	54	22,082	22,970
Program facilities	539,036	882,066	0	0	1,421,102	0	0	1,421,102
Rental assistance	0	250,440	0	0	250,440	0	343	250,783
Speaker Fees	0	0	0	5,700	5,700	0	0	5,700
Special events and fundraising	273	0	0	6,276	6,549	28,839	1,181	36,569
Staff training	242	101	6	0	349	782	32	1,163
Staff travel and related expenses	8,619	2,328	305	1,439	12,691	1,794	135	14,620
Subrecipients	3,826,926	1,989,676	0	0	5,816,602	0	0	5,816,602
Telephone and fax	4,904	2,535	127	0	7,566	465	718	8,749
Tenant furnishings	0	619	0	0	619	0	0	619
Utilities	2,412	30,243	62	0	32,717	229	354	33,300
Voice mailbox program	0	0	9,755	0	9,755	0	0	9,755
Total	<u>\$ 4,942,090</u>	<u>\$ 3,519,725</u>	<u>\$ 134,073</u>	<u>\$ 14,230</u>	<u>\$ 8,610,118</u>	<u>\$ 131,222</u>	<u>\$ 213,489</u>	<u>\$ 8,954,829</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2010

	Transitional Program and Emergency Shelter	Housing and Economic Development	Technical Assistance & Technology	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 316,018	\$ 134,758	\$ 13,030	\$ 463,806	\$ 34,564	\$ 69,436	\$ 567,806
Payroll Tax	23,985	10,145	1,085	35,215	2,752	6,806	44,773
Employee benefits	38,433	26,505	1,861	66,799	4,272	8,162	79,233
Total salaries and related expenses	378,436	171,408	15,976	565,820	41,588	84,404	691,812
Advertising	37	60	0	97	24	24	145
Bank charges	93	64	0	157	514	9,202	9,873
Conferences and materials	499	0	0	499	1,535	345	2,379
Contributions & grants	0	0	3,300	3,300	200	1,325	4,825
Depreciation	3,078	1,421	0	4,499	95	142	4,736
Direct care consultants	0	16,500	79,203	95,703	0	0	95,703
Dues and subscriptions	4,456	2,051	0	6,507	898	640	8,045
Equipment rental/maintenance	2,394	2,388	0	4,782	74	111	4,967
Filing fees	2,317	2,175	0	4,492	77	715	5,284
Food/meals	390	137	52	579	798	1,024	2,401
Insurance	8,210	3,789	0	11,999	253	378	12,630
Interest expense	0	0	0	0	0	1,162	1,162
Network administrator	4,432	2,045	0	6,477	136	916	7,529
Miscellaneous	0	73	0	73	31	617	721
Office supplies	1,063	566	35	1,664	481	489	2,634
Office rent	27,573	12,726	0	40,299	848	1,274	42,421
Other consultants	0	0	0	0	1,152	60,249	61,401
Payroll processing	890	411	0	1,301	27	42	1,370
Postage	1,083	523	0	1,606	9,671	224	11,501
Printing	2,417	1,235	0	3,652	29,299	663	33,614
Professional fees	1,531	706	0	2,237	48	21,070	23,355
Program facilities	462,233	860,839	0	1,323,072	0	0	1,323,072
Rental assistance	0	250,930	0	250,930	0	0	250,930
Special events and fundraising	0	0	0	0	37,616	0	37,616
Staff training	0	0	0	0	55	0	55
Staff travel and related expenses	6,362	1,898	1,295	9,555	75	880	10,510
Subrecipients	3,807,886	814,658	0	4,622,544	0	0	4,622,544
Telephone and fax	4,735	2,520	0	7,255	146	219	7,620
Tenant furnishings	0	822	0	822	50	750	1,622
Utilities	2,634	32,108	0	34,742	81	121	34,944
Voice mailbox program	0	0	8,829	8,829	0	0	8,829
Total	<u>\$ 4,722,749</u>	<u>\$ 2,182,053</u>	<u>\$ 108,690</u>	<u>\$ 7,013,492</u>	<u>\$ 125,772</u>	<u>\$ 186,986</u>	<u>\$ 7,326,250</u>

Massachusetts Housing and Shelter Alliance, Inc.

Statements of Cash Flows

For the Year Ended June 30

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (78,545)	\$ 91,191
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,968	4,736
Realized and unrealized gains on investments	(73,596)	(54,297)
(Accretion) amortization of investment premiums	(2,319)	3,918
Changes in operating assets and liabilities:		
Contracts receivable	(249,818)	10,985
Other receivables	2,825	(2,986)
Prepaid expenses	6,158	6,692
Security deposits	(2,100)	0
Accounts payable and accrued expenses	46,074	18,685
Due to subrecipients	47,225	126,542
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(301,128)</u>	<u>205,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on note receivable	(25,000)	(75,000)
Purchases of furniture and equipment	(2,670)	(1,369)
Purchases of investments	(231,007)	(272,811)
Proceeds from maturities and sales of investments	288,026	278,958
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>29,349</u>	<u>(70,222)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from bank line of credit	5,217	25,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(266,562)	160,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	577,794	417,550
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 311,232</u>	<u>\$ 577,794</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 2,123</u>	<u>\$ 1,162</u>
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Massachusetts Housing and Shelter Alliance, Inc.

Notes to Financial Statements

June 30, 2011

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 – provides over 500 emergency shelter and transitional beds, and serves 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. The Organization provides assistance to support case managers, shelter staff, discharge planners, and aftercare planners with a one-stop resource for appropriate next step opportunities for homeless individuals. The Organization performs data collection, evaluation and reporting on housing strategies to end homelessness. The Organization also 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.

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 - 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 7). 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 2011 and 2010 and, accordingly, the accompanying financial statements do not reflect any activity related to this class of net assets for 2011 and 2010.

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, 2011 and 2010 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) Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements" (formerly FAS No. 157), for assets and liabilities that are measured and recorded at fair value, and to determine fair value disclosures. This standard 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.)

This standard 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 Organization uses the market approach as the valuation technique for all assets and liabilities measured and recorded at fair value within the three-tier fair value hierarchy. The application of this standard 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 generally accepted accounting principles, 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 \$94,000 in contributed services during 2011, which consisted of consulting services for the Home and Healthy for Good program. The Organization did not receive any contributed services during 2010.

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, 2011 up through November 10, 2011, 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 with a local financial institution. The investments are carried at quoted market values as summarized below:

	Cost	Unrealized Gains (Losses)	Fair Market Value
June 30, 2011			
Equity Securities:			
Consumer	\$ 55,786	\$ 8,981	\$ 64,767
Energy	31,069	14,751	45,820
Financial Services	60,341	(2,446)	57,895
Health Care	43,458	18,388	61,846
Industrial	51,921	19,443	71,364
Technology	71,202	15,018	86,220
Other	7,319	3,393	10,712
	321,096	77,528	398,624
Debt Securities:			
Corporate Bonds	232,015	8,939	240,954
U.S. Treasury Obligations	50,114	1,816	51,930
	282,129	10,755	292,884
	\$ 603,225	\$ 88,283	\$ 691,508
June 30, 2010			
Equity Securities			
Consumer	\$ 101,836	\$ (13,628)	\$ 88,208
Energy	51,144	(366)	50,778
Financial Services	37,740	(905)	36,835
Health Care	33,520	1,692	35,212
Industrial	61,631	9,467	71,098
Technology	47,283	(68)	47,215
Other	29,304	(1,342)	27,962
	362,458	(5,150)	357,308
Debt Securities:			
Corporate Bonds	219,819	17,633	237,452
U.S. Treasury Obligations	75,000	2,852	77,852
	294,819	20,485	315,304
	\$ 657,277	\$ 15,335	\$ 672,612

The Organization's investment securities that are reported at fair value on a recurring basis by level within the fair value hierarchy are as follows:

	2011	2010
Interest and dividends	\$ 23,912	\$ 27,517
Accretion (amortization) of investment premiums	2,319	(3,918)
Realized gains	648	26,178
Unrealized gains	72,948	28,119
Total investment returns	\$ 99,827	\$ 77,896
Investment fees	\$ 4,759	\$ 9,382

Note 4 – Investments (Cont.)

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

	Level 1	Level 2	Level 3	Total Fair Value
June 30, 2011				
Equity Securities:				
Consumer	\$ 64,767	\$ 0	\$ 0	\$ 64,767
Energy	45,820	0	0	45,820
Financial Services	57,895	0	0	57,895
Health Care	61,846	0	0	61,846
Industrial	71,364	0	0	71,364
Technology	86,220	0	0	86,220
Other	0	10,712	0	10,712
	<u>387,912</u>	<u>10,712</u>	<u>0</u>	<u>398,624</u>
Debt Securities:				
Corporate Bonds	0	240,954	0	240,954
U.S. Treasury Obligations	51,930	0	0	51,930
	<u>51,930</u>	<u>240,954</u>	<u>0</u>	<u>292,884</u>
	<u>\$ 439,842</u>	<u>\$ 251,666</u>	<u>\$ 0</u>	<u>\$ 691,508</u>
June 30, 2010				
Equity Securities:				
Consumer	\$ 88,208	\$ 0	\$ 0	\$ 88,208
Energy	50,778	0	0	50,778
Financial Services	36,835	0	0	36,835
Health Care	35,212	0	0	35,212
Industrial	71,098	0	0	71,098
Technology	47,215	0	0	47,215
Other	0	27,962	0	27,962
	<u>329,346</u>	<u>27,962</u>	<u>0</u>	<u>357,308</u>
Debt Securities:				
Corporate Bonds	0	237,452	0	237,452
U.S. Treasury Obligations	77,852	0	0	77,852
	<u>77,852</u>	<u>237,452</u>	<u>0</u>	<u>315,304</u>
	<u>\$ 407,198</u>	<u>\$ 265,414</u>	<u>\$ 0</u>	<u>\$ 672,612</u>

Note 5 – Note Receivable

During September of 2009, the Organization entered into a non-interest bearing revolving demand note and loan agreement (the Note) with The American Roundtable to Abolish Homelessness, Inc. (ART) in the amount of \$100,000. Principal payments are due annually within 90 days of its fiscal year end and shall be an amount equal to 25% of ART's net revenue earned in excess of annual operating expenses. The terms of the Note require that ART's board of directors consist of at least one of the Organization's members. As of June 30, 2011 and 2010, \$100,000 and \$75,000, respectively, was outstanding under this note agreement.

Note 6 – Bank 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 (3.25% at June 30, 2011). As of June 30, 2011, \$30,217 was outstanding under this agreement (\$25,000 at June 30, 2010).

Note 7 – Net Assets

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

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Undesignated	\$ 718,046	\$ 824,235
Board designated	4,311	6,207
	<u>\$ 722,357</u>	<u>\$ 830,442</u>
Temporarily restricted:		
Home & Healthy for Good	\$ 85,000	\$ 0
Housing consortium for discharge planning	16,667	16,667
Technical assistance & technology	0	20,460
Operational support - time restricted	0	35,000
	<u>\$ 101,667</u>	<u>\$ 72,127</u>

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>2011</u>	<u>2010</u>
Technical assistance & technology	\$ 120,460	\$ 99,540
Home & Healthy for Good	30,000	0
Operational support	117,500	178,450
	<u>\$ 267,960</u>	<u>\$ 277,990</u>

Note 8 – 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), was for a five-year term and expired on June 30, 2011. The Organization remained in this space during July 2011 under an "at-will" agreement. Effective August 1, 2011, the Organization signed a new lease agreement for a five-year term expiring on July 31, 2016. Under this new lease agreement, the Organization took on approximately 1,800 additional square feet and now occupies the entire third floor of the building. The lease agreement also subjects the Organization to its proportionate share of operating costs.

Rent expense under the former lease agreement totaled \$44,127 and \$42,421 for the years ended June 30, 2011 and 2010, respectively.

Note 8 – Lease Commitments

Future minimum lease payments due under the non-cancellable Kingston Street building lease are as follows:

Year Ending June 30	
2012	\$ 74,055
2013	77,832
2014	79,000
2015	80,184
2016	81,387
2017	6,791
Total	<u><u>\$ 399,249</u></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 \$251,000 for both the years ended June 30, 2011 and 2010.

There are no future minimum lease payments for the benefit of program participants as of June 30, 2011 due to the fact that all lease agreements are "at-will" as of June 30, 2011.

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.

Note 9 - Employee Benefit Plan

The Organization offers a 401(k) 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, 2011 and 2010 totaled \$8,239 and \$9,302, respectively.

Note 10 - Related Party Transactions

Eight 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 8. 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>2011</u>	<u>2010</u>
Expenses:		
Subcontractors/program facilities	\$ 1,957,914	\$ 1,836,167
Office rent	44,128	42,421
Direct care consultants	58,506	16,500
	<u>\$ 2,060,548</u>	<u>\$ 1,895,088</u>
Revenues:		
Contributions	\$ 23,325	\$ 14,250
	<u>\$ 23,325</u>	<u>\$ 14,250</u>
Liabilities:		
Due to subrecipients	\$ 288,555	\$ 268,900
	<u>\$ 288,555</u>	<u>\$ 268,900</u>

Note 11 - 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, 2011, the Organization's cash balance in one of the two banks exceeded FDIC coverage by approximately \$340,000, based upon the bank balances. At June 30, 2011, the Organization also maintains a cash equivalent balance of approximately \$30,000 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 \$7,755,000 (87%) and \$6,439,000 (87%) of its total revenues and support from the Commonwealth of Massachusetts during 2011 and 2010, respectively.

Note 12 – 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.

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, 2011. The following schedule represents the components of unrestricted net assets:

	Unrestricted Net Assets	Comm. Of Massachusetts Cumulative Revenue/ (Deficits)	Total
Balance at June 30, 2009	\$ 932,442	\$ (137,731)	\$ 794,711
Change in net assets	35,731	0	35,731
Balance at June 30, 2010	968,173	(137,731)	830,442
Change in net assets	(108,085)	0	(108,085)
Balance at June 30, 2011	<u>\$ 860,088</u>	<u>\$ (137,731)</u>	<u>\$ 722,357</u>

G.T. Reilly & Company

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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 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 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, 2011 is presented for purposes of additional analysis as required by 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 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 financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 in this schedule, is fairly stated in all material respects in relation to the financial statements taken as a whole.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
November 10, 2011

Massachusetts Housing and Shelter Alliance, Inc.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

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>				
Pass through Commonwealth of Massachusetts, Div. of Housing and Community Development:				
Homelessness Prevention & Rapid Re-housing 12/15/09 - 06/30/12	ARRA-14.257	FY10ARRAHPRPMHASAI025	\$ 1,926,821	<u>\$ 1,341,359</u>
Pass through Commonwealth of Massachusetts, Div. of Housing and Community Development:				
Emergency Shelter Grant Program	14.231	CTOCD8000HSDESGO3700	330,548	330,548
Emergency Shelter Grant Program	14.231	SBWEL409251000980000	94,068	<u>94,068</u>
				<u>424,616</u>
Pass through Commonwealth of Massachusetts, Dept. of Public Health:				
Supportive Housing Program	14.235	SCDPH23115ES40740000	217,835	217,835
Supportive Housing Program	14.235	INTF2311MM3W66409113	194,091	194,091
Supportive Housing Program	14.235	INTF2330M04W66409085	64,697	<u>64,697</u>
				<u>476,623</u>
Pass through City of Boston, Dept. of Neighborhood Development:				
Supportive Housing Program 01/01/08 - 12/31/10	14.235	C-24184-08	990,748	188,539
01/01/11 - 12/31/11	14.235	C-32030-11	303,249	<u>175,805</u>
				<u>364,344</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u><u>\$ 2,606,942</u></u>
SUMMARY BY CFDA NUMBER:				
	ARRA-14.257			\$ 1,341,359
	14.231			424,616
	14.235			840,967
				<u><u>\$ 2,606,942</u></u>

Massachusetts Housing and Shelter Alliance, Inc.

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

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

Homelessness Prevention & Rapid Re-housing: CFDA #ARRA-14.257

Community Teamwork, Inc.	\$ 323,452
HAP, Inc.	323,154
HomeStart	138,225
Lowell Transitional Living Center	72,806
Metro Boston Housing Partnership	395,954
South Middlesex Opportunity Council	55,795
	<u>1,309,386</u>

Emergency Shelter Grant Program: CFDA #14.231

Berkeley Residence/Boston YWCA	91,074
Central Branch Boston YMCA	66,848
Chelsea YMCA	42,232
Heading Home	23,400
Lowell Transitional Living Center	95,679
Salvation Army	20,303
	<u>339,536</u>

Supportive Housing Program: CFDA #14.235

Home and Healthy Program

Caritas Communities	<u>356,114</u>
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Supportive Housing Program: CFDA #14.235

Post Detox/Pre-Recovery

Henry Willis Center	57,148
High Point/NeBCOA	53,362
South Middlesex Opportunity Council	101,340
	<u>211,850</u>

TOTAL EXPENDITURES TO SUBRECIPIENTS

\$ 2,216,886

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 \$250,440. Such amounts are included in the Schedule of Expenditures of Federal Awards.

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, 2011, and have issued our report thereon dated November 10, 2011. 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.

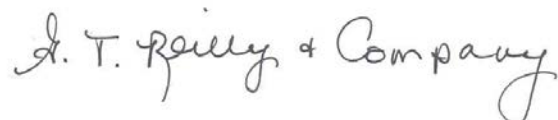
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 management, the Board of Directors, others within the entity, state 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".

G. T. Reilly & Company

Milton, Massachusetts

November 10, 2011

G.T. Reilly & Company

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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 Massachusetts Housing and Shelter Alliance, Inc.'s compliance 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 programs for the year ended June 30, 2011. Massachusetts Housing and Shelter Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above 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 identified in the accompanying schedule of findings and questioned costs 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 of 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 compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

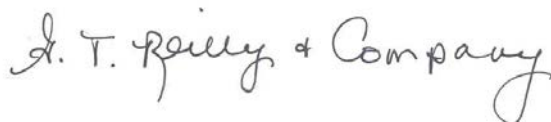
Internal Control Over Compliance

Management of Massachusetts Housing and Shelter Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. 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, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. 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 management, the Board of Directors, others within the entity, state 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 10, 2011

Massachusetts Housing and Shelter Alliance, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Massachusetts Housing and Shelter Alliance, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Massachusetts Housing and Shelter Alliance, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are 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 the 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 the major federal award programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The programs tested as major programs were Emergency Shelter Grant #14.231 and Homelessness Prevention & Rapid Re-housing Grant #ARRA-14.257.
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. Massachusetts Housing and Shelter Alliance, Inc. qualifies as a low-risk auditee.

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

Massachusetts Housing and Shelter Alliance, Inc.

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2011

There were no prior audit findings.