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Single Audit Reporting Package

**Massachusetts Housing and
Shelter Alliance, Inc.
and Subsidiary**

June 30, 2016

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Single Audit Reporting Package

June 30, 2016

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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Single Audit Reporting Package (Cont.)

June 30, 2016

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Independent Auditors' Report

Board of Directors

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

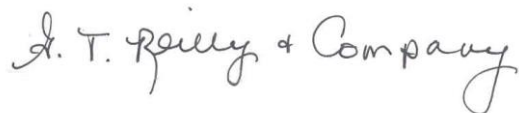
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary as of June 30, 2016 and 2015, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "G. T. Reilly & Company".

G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30

Assets

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,087,318	\$ 2,233,663
Contracts receivable	1,807,031	1,475,928
Investments (Notes 2 & 4)	1,055,365	605,223
Prepaid expenses and other assets	47,131	241,869
Security deposits	25,178	9,450
TOTAL CURRENT ASSETS	<u>5,022,023</u>	<u>4,566,133</u>
NONCURRENT ASSETS (Note 6)		
Furniture and equipment, net (Notes 2 & 5)	<u>14,608</u>	<u>21,301</u>
TOTAL ASSETS	<u>\$ 5,036,631</u>	<u>\$ 4,587,434</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Due to subrecipients	\$ 1,508,590	\$ 1,343,730
Accounts payable and accrued expenses	<u>211,602</u>	<u>144,970</u>
TOTAL CURRENT LIABILITIES	<u>1,720,192</u>	<u>1,488,700</u>
LONG-TERM NOTES PAYABLE (Note 8)	<u>2,500,000</u>	<u>2,500,000</u>
COMMITMENTS (Note 10)		
NET ASSETS (Notes 2 & 9)		
Unrestricted	246,177	536,966
Temporarily restricted	<u>570,262</u>	<u>61,768</u>
TOTAL NET ASSETS	<u>816,439</u>	<u>598,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,036,631</u>	<u>\$ 4,587,434</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Government contracts	\$ 10,018,253	\$ -	\$ 10,018,253	\$ 9,595,714	\$ -	\$ 9,595,714
Grants and contributions	738,097	864,167	1,602,264	521,817	60,000	581,817
Contributed services (Note 2)	10,485	-	10,485	3,182	-	3,182
Program fees	110,804	-	110,804	124,931	-	124,931
Investment income	16,884	-	16,884	14,618	-	14,618
Net assets released from restrictions (Note 9)	355,673	(355,673)	-	165,281	(165,281)	-
TOTAL OPERATING REVENUE AND SUPPORT	11,250,196	508,494	11,758,690	10,425,543	(105,281)	10,320,262
OPERATING EXPENSES						
Program Expenses:						
Emergency shelter and transitional programs	5,549,913	-	5,549,913	5,221,343	-	5,221,343
Permanent housing	4,605,099	-	4,605,099	3,938,222	-	3,938,222
Rapid rehousing	873,808	-	873,808	821,880	-	821,880
Advocacy, planning and technical assistance	117,463	-	117,463	239,595	-	239,595
Total Program Expenses	11,146,283	-	11,146,283	10,221,040	-	10,221,040
Supporting Expenses:						
Fundraising and development	199,799	-	199,799	165,161	-	165,161
General and administrative	174,443	-	174,443	183,485	-	183,485
Total Supporting Expenses	374,242	-	374,242	348,646	-	348,646
TOTAL OPERATING EXPENSES	11,520,525	-	11,520,525	10,569,686	-	10,569,686
CHANGE IN NET ASSETS FROM OPERATIONS	(270,329)	508,494	238,165	(144,143)	(105,281)	(249,424)
NON-OPERATING ACTIVITIES						
Realized and unrealized (losses) gains on investments (Note 4)	(20,460)	-	(20,460)	8,911	-	8,911
TOTAL CHANGE IN NET ASSETS	(290,789)	508,494	217,705	(135,232)	(105,281)	(240,513)
NET ASSETS AT BEGINNING OF YEAR	536,966	61,768	598,734	672,198	167,049	839,247
NET ASSETS AT END OF YEAR	\$ 246,177	\$ 570,262	\$ 816,439	\$ 536,966	\$ 61,768	\$ 598,734

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Emergency Shelter & Transitional Programs	Permanent Housing	Rapid Rehousing	Advocacy, Planning and Technical Assistance	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 392,426	\$ 364,747	\$ 73,065	\$ 60,900	\$ 891,138	\$ 72,790	\$ 34,308	\$ 998,236
Payroll Tax	37,425	29,095	4,336	2,685	73,541	4,826	2,788	81,155
Employee benefits	58,110	61,302	8,318	6,304	134,034	11,518	6,070	151,622
Total salaries and related expenses	487,961	455,144	85,719	69,889	1,098,713	89,134	43,166	1,231,013
Advertising	41	111	5	-	157	81	82	320
Bank charges	673	760	257	21	1,711	537	9,609	11,857
Conferences and materials	585	-	-	-	585	-	-	585
Contributions and sponsorships	-	-	-	6,500	6,500	35	1,287	7,822
Depreciation	1,664	1,178	217	16	3,075	48	6,183	9,306
Direct care consultants	-	73,531	-	13,200	86,731	-	-	86,731
Dues and subscriptions	1,862	817	151	11	2,841	1,113	1,337	5,291
Equipment rental/maintenance	1,513	2,293	198	14	4,018	82	66	4,166
Filing fees	3,141	2,178	423	31	5,773	125	878	6,776
Food/meals	433	625	5	813	1,876	747	3,457	6,080
Insurance	9,253	6,771	1,416	117	17,557	293	322	18,172
Interest expense	410	90,992	54	3	91,459	12	22	91,493
Network administration	6,744	4,812	881	64	12,501	199	234	12,934
Miscellaneous	-	-	-	1,035	1,035	237	285	1,557
Office supplies	4,278	3,316	619	184	8,397	2,187	927	11,511
Office rent and CAM charges	43,406	30,550	5,651	410	80,017	1,258	1,499	82,774
Other consultants	6,433	122,045	12	8,380	136,870	771	68,200	205,841
Payroll processing	1,141	811	148	11	2,111	33	39	2,183
Postage	1,636	1,160	207	15	3,018	11,086	97	14,201
Printing	1,188	795	136	723	2,842	43,221	269	46,332
Professional fees	-	5,000	-	-	5,000	-	23,225	28,225
Program facilities	244,609	774,234	-	-	1,018,843	-	-	1,018,843
Program tenant assistance	425	289,170	514,501	3,433	807,529	-	1,125	808,654
Speaker fees	-	-	-	7,165	7,165	-	50	7,215
Special events and fundraising	304	34,404	38	3,543	38,289	47,271	11,188	96,748
Staff training	150	-	-	15	165	874	600	1,639
Staff travel and related expenses	2,646	2,826	7	1,802	7,281	248	54	7,583
Subrecipients	4,722,115	2,663,431	262,230	-	7,647,776	-	-	7,647,776
Telephone and fax	4,239	3,487	527	38	8,291	116	138	8,545
Utilities	3,063	34,658	406	30	38,157	91	104	38,352
Total	<u>\$ 5,549,913</u>	<u>\$ 4,605,099</u>	<u>\$ 873,808</u>	<u>\$ 117,463</u>	<u>\$ 11,146,283</u>	<u>\$ 199,799</u>	<u>\$ 174,443</u>	<u>\$ 11,520,525</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2015

	Emergency Shelter & Transitional Programs	Permanent Housing	Rapid Rehousing	Advocacy, Planning and Technical Assistance	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 315,129	\$ 218,886	\$ 53,044	\$ 132,348	\$ 719,407	\$ 55,386	\$ 27,851	\$ 802,644
Payroll Tax	25,990	18,161	3,946	10,344	58,441	4,665	2,194	65,300
Employee benefits	51,516	39,798	8,383	18,339	118,036	7,410	7,275	132,721
Total salaries and related expenses	392,635	276,845	65,373	161,031	895,884	67,461	37,320	1,000,665
Advertising	-	-	-	240	240	-	-	240
Bank charges	385	319	281	12	997	172	9,127	10,296
Conferences and materials	654	-	-	-	654	-	-	654
Contributions and sponsorships	1,209	-	-	6,500	7,709	-	2,506	10,215
Data collection software	-	-	-	-	-	-	28,932	28,932
Depreciation	2,262	1,664	335	52	4,313	53	3,137	7,503
Direct care consultants	-	5,000	-	41,180	46,180	-	-	46,180
Dues and subscriptions	2,767	1,906	416	35	5,124	690	587	6,401
Equipment rental/maintenance	1,738	2,332	263	46	4,379	44	61	4,484
Filing fees	1,806	1,835	272	248	4,161	75	795	5,031
Food/meals	1,029	163	24	1,069	2,285	4	2,631	4,920
Insurance	9,178	6,510	1,380	37	17,105	199	240	17,544
Network administration	6,640	4,836	997	171	12,644	164	227	13,035
Miscellaneous	25	50	50	6	131	157	188	476
Office supplies	3,628	2,675	533	2,317	9,153	930	484	10,567
Office rent and CAM charges	40,606	29,665	6,072	1,062	77,405	997	1,395	79,797
Other consultants	-	27,956	-	6,720	34,676	1,150	68,000	103,826
Payroll processing	1,048	767	156	29	2,000	26	37	2,063
Postage	1,433	1,054	213	43	2,743	11,070	223	14,036
Printing	3,412	1,204	236	-	4,852	39,439	502	44,793
Professional fees	-	-	-	-	-	-	23,000	23,000
Program facilities	195,695	745,230	-	-	940,925	-	-	940,925
Program tenant assistance	13	251,751	528,588	401	780,753	-	475	781,228
Speaker fees	-	-	-	5,500	5,500	-	-	5,500
Special events and fundraising	66	7,400	-	6,939	14,405	41,458	1,529	57,392
Staff training	417	3,108	19	93	3,637	802	1,528	5,967
Staff travel and related expenses	5,572	1,413	18	4,451	11,454	96	316	11,866
Subrecipients	4,542,101	2,524,524	215,601	-	7,282,226	-	-	7,282,226
Telephone and fax	3,590	2,630	537	1,318	8,075	88	124	8,287
Utilities	3,434	37,385	516	95	41,430	86	121	41,637
Total	\$ 5,221,343	\$ 3,938,222	\$ 821,880	\$ 239,595	\$ 10,221,040	\$ 165,161	\$ 183,485	\$ 10,569,686

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 217,705	\$ (240,513)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,306	7,503
Realized and unrealized gains on investments, net	20,460	(8,911)
Donated common stock	(8,905)	(10,301)
Changes in operating assets and liabilities:		
Contracts receivable	(373,553)	288,759
Prepaid expenses and other assets	237,188	(162,512)
Security deposits	(15,728)	1,050
Due to subrecipients	164,860	(294,900)
Accounts payable and accrued expenses	66,632	(115,455)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>317,965</u>	<u>(535,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(2,613)	(3,048)
Purchases of investments	(727,456)	(183,355)
Proceeds from maturities and sales of investments	265,759	177,809
NET CASH USED IN INVESTING ACTIVITIES	<u>(464,310)</u>	<u>(8,594)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Long-term financing	-	2,500,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(146,345)	1,956,126
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,233,663</u>	<u>277,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,087,318</u>	<u>\$ 2,233,663</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 843</u>	<u>-</u>
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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2016

Note 1 – Reporting Entity and Nature of Activities

Reporting Entity and Principles of Consolidation – The accompanying consolidated financial statements as of and for the years ended June 30, 2016 and 2015 include the accounts of Massachusetts Housing and Shelter Alliance, Inc. (“MHSA”) and its wholly-owned subsidiary, Massachusetts Alliance for Supportive Housing, LLC (“MASH”) which, consolidated, are referred to herein as the “Organization”.

Nature of Activities

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

MHSA currently provides the following services:

Emergency Shelter and Transitional Programs – During fiscal 2016, the program provided, in partnership with community-based service organizations and landlords, 483 shelter and transitional housing beds each night. The programs provide clients with safe living accommodations, meals, transportation, case management, income-related referrals and public benefits access, referral services, housing search and other services focused primarily on helping individuals to access permanent housing. The program has some components that focus on specific subpopulations of homeless individuals, such as veterans, chronically homeless adults, women and individuals with varying degrees of disabilities. The program includes a State-Historic Shelter Contract, a Federal Emergency Solution Grant, and a Safe Haven Grant that serves veterans.

Permanent Housing and Related Services – During fiscal 2016, the program provided, in partnership with community-based service organizations and landlords, 558 units of permanent supportive housing for formerly homeless individuals across the state. These services are delivered in every region of the state and are the programmatic basis for the organization’s cost-benefit analysis and increasingly recognized outcome-focused data studies. The program includes Home & Healthy for Good – State, Home & Healthy for Good – Boston, Journey to Success, Post Detox/Pre Recovery, Home Front and Permanent Housing & Stabilization.

Rapid Rehousing – MHSA assisted 234 households during fiscal 2016 in gaining permanent housing through a rapid rehousing program, which allows individuals to access start up, moving, utilities and short-medium term shallow rent subsidy funds when entering into housing. The program currently operates in the Greater Boston area of Massachusetts. The Organization has developed best practices from the implementation of this program to be used on continued rapid rehousing initiatives moving forward.

Note 1 – Reporting Entity and Nature of Activities (Cont.)

Advocacy, Planning and Technical Assistance – Provides a forum in the Commonwealth of Massachusetts for the planning and coordination of policy, community and stakeholder education and communication of issues, and the piloting and implementation of housing and services for homeless individuals. Programs and advocacy are designed to end the Commonwealth's reliance on emergency services for homeless individuals. The Organization conducts site visits and program reviews to share best practices, provide technical assistance, and strive to create a network of resources and collaborative service providers. The Organization conducts advocacy and planning to ensure that the state reduces its reliance on emergency services and focuses its efforts on permanent housing as a solution to homelessness.

Massachusetts Alliance for Supportive Housing, LLC ("MASH"), a single member LLC, was organized on June 19, 2014 for the purpose of providing charitable and educational activities consisting of coordinating, facilitating, providing and/or promoting social services and housing for high-use homeless individuals through the Pay for Success Homeless Initiative. The initial support for MASH's operational costs was obtained through a private funding agreement (see Note 8) and to the extent that MASH is successful in housing high-use homeless individuals, the Commonwealth of Massachusetts's Department of Administration and Finance ("ANF") will provide further funding in the form of success payments.

MASH strategically partners the Pay for Success Homeless Initiative with the United Way of Massachusetts Bay and Merrimack Valley ("UWMB/MV"). The UWMB/MV assists in the administration and delivery of program services. MASH reimburses the UWMB/MV for performing financial program and grant management services. MASH also engages three other organizations to perform services: (1) the Corporation for Supportive Housing performs technical, advisory and management assistance services, (2) Root Cause serves as the independent evaluator of the program success rate which directly impacts the amount of funding received from ANF and, (3) MHSA performs program administration services including providing a dedicated staff person and other administrative support.

During fiscal 2016, MASH assisted approximately 270 individuals in gaining permanent housing through the "Pay for Success" program.

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 9). 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.

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 2016 and 2015 and, accordingly, the accompanying financial statements do not reflect any activity related to this class of net assets.

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

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 receivable 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, 2016 and 2015 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 the date of donation. Acquisitions of furniture and equipment and expenditures for repairs and improvements that materially prolong the useful lives of assets are capitalized (see Note 5).

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 – The Organization follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements", for assets and liabilities that are measured and recorded at fair value, and to determine fair value disclosures. This standard applies to certain existing accounting pronouncements that require or permit fair value measurements.

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).

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

Contract Revenue Recognition – Contracts are recognized as revenue upon performance of reimbursable activities and delivery of program services. In most cases, the contracts have been restricted by the funding source as being only available for use in specific programs. These government contract revenues 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 and grants 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 Consolidated Statement of Activities as net assets released from restrictions (see Note 9).

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. When applicable, 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 \$10,485 and \$3,182 in contributed services during 2016 and 2015, respectively.

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, 2016 up through November 9, 2016, the date the accompanying financial statements were available to be issued.

Note 3 - Tax Status

Massachusetts Housing and Shelter Alliance, Inc. and its Subsidiary are exempt from federal and state income taxes 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).

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Note 4 - Investments

The Organization maintains its investment accounts with a local financial institution. The investments are carried at fair values as summarized below:

	Cost	Unrealized Gains (Losses)	Fair Value
June 30, 2016			
Equity Securities:			
Consumer	\$ 60,199	\$ 8,275	\$ 68,474
Energy	29,916	901	30,817
Financial Services	47,459	(610)	46,849
Health Care	32,417	10,392	42,809
Industrial	31,354	7,658	39,012
Technology	45,814	13,314	59,128
Mutual Funds - Equities	86,783	(645)	86,138
	333,942	39,285	373,227
Debt Securities:			
Corporate Bonds	101,337	1,579	102,916
Municipal Bonds	501,442	-	501,442
Government-sponsored Obligation	25,078	1,145	26,223
Mutual Funds - Fixed Income	52,099	(542)	51,557
	679,956	2,182	682,138
	\$ 1,013,898	\$ 41,467	\$ 1,055,365
June 30, 2015			
Equity Securities			
Consumer	\$ 48,435	\$ 13,591	\$ 62,026
Energy	31,576	(2,090)	29,486
Financial Services	46,139	6,331	52,470
Health Care	30,994	12,639	43,633
Industrial	33,707	5,984	39,691
Technology	49,535	10,205	59,740
Mutual Funds - Equities	94,031	7,244	101,275
	334,417	53,904	388,321
Debt Securities:			
Corporate Bonds	142,798	388	143,186
Government-sponsored Obligation	25,093	1,143	26,236
Mutual Funds - Fixed Income	48,250	(770)	47,480
	216,141	761	216,902
	\$ 550,558	\$ 54,665	\$ 605,223

Note 4 – Investments (Cont.)

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

	Level 1	Level 2	Level 3	Total Fair Value
June 30, 2016				
Equity Securities:				
Consumer	\$ 68,474	\$ -	\$ -	\$ 68,474
Energy	30,817	-	-	30,817
Financial Services	46,849	-	-	46,849
Health Care	42,809	-	-	42,809
Industrial	39,012	-	-	39,012
Technology	59,128	-	-	59,128
Mutual Funds - Equities	86,138	-	-	86,138
	<u>373,227</u>	<u>-</u>	<u>-</u>	<u>373,227</u>
Debt Securities:				
Corporate Bonds	-	102,916	-	102,916
Municipal Bonds	-	501,442	-	501,442
Government-sponsored Obligation	-	26,223	-	26,223
Mutual Funds - Fixed Income	-	51,557	-	51,557
	<u>-</u>	<u>682,138</u>	<u>-</u>	<u>682,138</u>
	<u>\$ 373,227</u>	<u>\$ 682,138</u>	<u>\$ -</u>	<u>\$ 1,055,365</u>
June 30, 2015				
Equity Securities:				
Consumer	\$ 62,026	\$ -	\$ -	\$ 62,026
Energy	29,486	-	-	29,486
Financial Services	52,470	-	-	52,470
Health Care	43,633	-	-	43,633
Industrial	39,691	-	-	39,691
Technology	59,740	-	-	59,740
Mutual Funds - Equities	101,275	-	-	101,275
	<u>388,321</u>	<u>-</u>	<u>-</u>	<u>388,321</u>
Debt Securities:				
Corporate Bonds	-	143,186	-	143,186
Government-sponsored Obligation	-	26,236	-	26,236
Mutual Funds - Fixed Income	-	47,480	-	47,480
	<u>-</u>	<u>216,902</u>	<u>-</u>	<u>216,902</u>
	<u>\$ 388,321</u>	<u>\$ 216,902</u>	<u>\$ -</u>	<u>\$ 605,223</u>

Note 4 – Investments (Cont.)

The Organization's investment income and expenses are as follows for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 15,495	\$ 13,860
Realized gains	(7,262)	7,560
Unrealized gains (losses)	<u>(13,198)</u>	<u>1,351</u>
Total investment returns	<u>\$ (4,965)</u>	<u>\$ 22,771</u>
Investment fees	<u>\$ 7,881</u>	<u>\$ 7,881</u>

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.

Note 5 – Furniture and Equipment

The principal categories of furniture and equipment at June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 16,219	\$ 16,219
Computer equipment and software	73,691	71,078
Office furniture	<u>12,037</u>	<u>12,037</u>
	101,947	99,334
Less accumulated depreciation	<u>87,339</u>	<u>78,033</u>
	<u>\$ 14,608</u>	<u>\$ 21,301</u>

Depreciation expense was \$9,306 and \$7,503 for the years ended June 30, 2016 and 2015, respectively.

Note 6 – Note Receivable

During September of 2009, the Organization, as the lender, entered into a \$100,000 non-interest bearing revolving demand note and loan agreement (the Note) with The American Roundtable to Abolish Homelessness, Inc. ("ART"). Principal payments are due annually within 90 days of ART's fiscal year end in 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 directors. As of June 30, 2016 and 2015, \$100,000 was legally outstanding under this note agreement. During a prior year, the Organization's management assessed the collectability of the note receivable and deemed the note to be most-likely uncollectible. Accordingly, management reduced the carrying amount of the note receivable to zero through a charge to non-operating expenses in a prior year by establishing a corresponding allowance for doubtful collection of \$100,000.

Note 7 – Bank Line of Credit

The Organization maintains a line of credit with a local bank, collateralized by all business assets. The line allowed a maximum draw down of \$150,000 up until January 22, 2016 when this agreement was amended to increase the maximum draw down amount to \$500,000. Borrowings under the agreement are due on demand, and interest is payable monthly at the Wall Street Journal prime rate (3.99% and 3.25% at June 30, 2016 and 2015, respectively). As of June 30, 2016 and 2015, there were no outstanding balances under this agreement.

Note 8 – Notes Payable

On May 28, 2015, MASH entered into a private funding agreement with three funding sources to obtain private investment capital in support of the Pay for Success Homeless Initiative. Santander Bank, the United Way of Massachusetts Bay and Merrimack Valley, and Corporation for Supportive Housing (collectively “the investors”) provided \$1,000,000, \$1,000,000 and \$500,000, respectively. This \$2,500,000 in financing is presented as long-term debt on the Consolidated Statement of Financial Position.

Interest on the principal accrues at an annual rate based on the “success rate” attained by MASH, which will be determined by an independent evaluator. The first interest calculation date is June 30, 2017 and the second and final interest calculation date is June 30, 2021. All interest due will be paid within thirty days after confirmation of the success rate for the applicable interest calculation period as determined by the independent evaluator. The interest rate ranges from 0% to 5.33% depending on the success rate. On the final interest payment date, in addition to the final payment of interest, MASH will also make a principal repayment in accordance with the success rate schedule. The investors stand to lose principal depending on the success rate and it is possible that they may lose the full \$2,500,000 if the success rate does not meet a minimum threshold. In the event of such an occurrence, MASH will not be required to repay such amount based on the success rate schedule.

Based on MASH’s success rate through June 30, 2016, \$90,650 has been accrued for interest expense. There was no accrued interest at June 30, 2015.

Success rate reimbursements from the Commonwealth of Massachusetts will be received for qualified participants that have been housed for at least twelve consecutive months. The Commonwealth’s payments are based on a per diem rate of \$8.22 and in no event will they exceed a cumulative amount of \$6,000,000.

Note 9 – Net Assets

The Organization’s temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Housing High Users of Emergency Services	\$ -	\$ 33,878
"Next Practices" Disabilities Reform	-	4,023
Hospital to Housing	526,527	-
Housing Consortium for Discharge Planning	-	15,141
Veterans Homeless In-Reach Program	-	8,726
Operational Support - Time Restricted	43,735	-
	<u>\$ 570,262</u>	<u>\$ 61,768</u>

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

	<u>2016</u>	<u>2015</u>
Housing High Users of Emergency Services	\$ 33,878	\$ 10,385
"Next Practices" Disabilities Reform	4,023	6,500
Speakers Bureau	2,500	-
Pay for Success Program	50,000	-
Housing Consortium for Discharge Planning	15,141	-
Home Front	25,000	10,000
Hospital to Housing	40,140	-
Rapid Rehousing Program	10,000	-
Veterans Homeless In-Reach Program	33,726	58,472
Technology Equipment and Software	10,000	29,924
Operational Support - Time Restricted	131,265	50,000
	<u>\$ 355,673</u>	<u>\$ 165,281</u>

Note 10 – Lease Commitments

Occupancy Leases – The Organization leased its principal offices at 25 Kingston Street, Boston, Massachusetts. The office space was leased from an entity administered by a member of the Organization's Board of Directors (see Note 12). Effective August 1, 2016, the Organization moved its principle offices to 7 Bulfinch Place, Boston, MA. The new occupancy lease is for a five-year term with first year monthly rentals of \$8,809. The lease contains one option to extend the lease for an additional five-year term at the prevailing market rate. The lease extension will require a security deposit of \$17,618. The base rent will include utilities; including heat, air conditioning, and conventional office electrical use. The Organization will be liable for any increases in real estate taxes and operating expenses over base year amounts.

Rent expense totaled approximately \$83,000 and \$80,000 for the years ended June 30, 2016 and 2015, respectively.

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

Year Ending June 30	
2017	\$ 103,687
2018	109,046
2019	112,691
2020	116,336
2021	119,981
2022	10,024
Total	<u>\$ 571,765</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, which are included in program tenant assistance in the statement of functional expenses, were approximately \$302,000 and \$250,000 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease payments due under these residential housing lease agreements are \$39,850 during the year ending June 30, 2017.

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 housing programs providing transitional assistance and rooms for homeless people. These expenses are recorded by the Organization as subcontractor and program facility expense as specified by the government reimbursement contract.

Note 11 - 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 Organization determines the amount, if any, of the employer matching contribution. The employer contributions for the years ended June 30, 2016 and 2015 totaled \$19,607 and \$15,871, respectively.

Note 12 - Related Party Transactions

Board of Directors – Five of the twenty-four members of the Organization's Board of Directors who served at some point during the year ending June 30, 2016 are Executive Directors of organizations that hold subcontracts with Massachusetts Housing and Shelter Alliance, Inc. In addition, the Organization leased office space from an investment property trust as detailed in Note 10. That entity's trustee serves on the Board of Directors for Massachusetts Housing and Shelter Alliance, Inc.

Note 12 - Related Party Transactions (Cont.)

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.

A director of the Organization serves on the Board of Directors of ART, an entity with which the Organization has a \$100,000 note receivable (see Note 6) and which also provided certain consulting services, a portion of which were funded through a private grant during the year ended June 30, 2014. No consulting services were provided by ART during the years ended June 30, 2016 and 2015.

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

	<u>2016</u>	<u>2015</u>
Expenses:		
Subcontractors/program facilities	\$ 2,582,744	\$ 2,777,281
Office rent	82,744	79,636
	<u>\$ 2,665,488</u>	<u>\$ 2,856,917</u>
Revenues and Support:		
Contributions	<u>\$ 25,570</u>	<u>\$ 28,050</u>
Liabilities:		
Due to subrecipients	<u>\$ 534,932</u>	<u>\$ 386,417</u>

Inter-Entity – During the year ended June 30, 2016, MHSA recognized \$169,800 in program management fees from MASH. \$42,450 of these fees was recognition of deferred revenue for cash received prior to the end of June 30, 2015. The remaining \$127,350 covered the period from October 1, 2015 through June 30, 2016. All transactions between MHSA and MASH during the year ended June 30, 2016 have been eliminated in the consolidation of the financial statements.

During the year ended June 30, 2015, MHSA received \$110,000 for pre-program origination fees, which was recorded as grant revenue by MHSA and as subrecipient expense by MASH. MHSA also received \$56,600 for program management fees for the period June 1, 2015 through September 30, 2015, \$14,250 of which was recorded as program fee revenue by MHSA and as professional fee expense by MASH. Of this \$56,600 payment from MASH, \$42,450 was recorded as a deferred revenue liability by MHSA and as a prepaid expense by MASH at June 30, 2015. All transactions between MHSA and MASH during the year ended June 30, 2015 have been eliminated in the consolidation of the financial statements.

Note 13 - Financial Instruments and Concentrations of Credit Risk

The Organization maintains a significant portion of its cash balances in two financial institutions. 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. At June 30, 2016, MASH's cash balance in one of these two banks exceeded FDIC coverage by approximately \$1,722,000, based upon the bank balances. At June 30, 2016, MHSA did not have any cash balances in excess of the insured limits. At June 30, 2016, MHSA has cash equivalents of approximately \$82,000, consisting of one 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 contracts receivable are amounts predominantly due from federal, state and local governments. The Organization received approximately \$8,664,000 (74%) and \$8,490,000 (83%) of its total revenues and support from the Commonwealth of Massachusetts during 2016 and 2015, respectively.

CONSOLIDATING FINANCIAL STATEMENTS



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Independent Auditors' Report On Consolidating Financial Statements

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Our report on our audit of the consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary appears on Page 1. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position as of June 30, 2016, and the related consolidating statements of activities and changes in net assets, and cash flows for the year then ended, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements are fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statement of Financial Position

June 30, 2016

	Massachusetts Housing and Shelter Alliance, Inc.	Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Total
<u>Assets</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 115,485	\$ 1,971,833	\$ -	\$2,087,318
Contracts receivable	1,648,664	158,367	-	1,807,031
Investments (Notes 2 & 4)	1,055,365	-	-	1,055,365
Prepaid expenses and other assets	47,131	-	-	47,131
Security deposits	25,178	-	-	25,178
TOTAL CURRENT ASSETS	2,891,823	2,130,200	-	5,022,023
NONCURRENT ASSETS (Note 6)				
Furniture and equipment, net	14,608	-	-	14,608
TOTAL ASSETS	\$ 2,906,431	\$ 2,130,200	\$ -	\$5,036,631
<u>Liabilities and Net Assets</u>				
CURRENT LIABILITIES				
Due to subrecipients	\$ 1,508,590	\$ -	\$ -	\$1,508,590
Accounts payable and accrued expenses	120,952	90,650	-	211,602
TOTAL CURRENT LIABILITIES	1,629,542	90,650	-	1,720,192
LONG-TERM NOTES PAYABLE, net of current portion	-	2,500,000	-	2,500,000
NET ASSETS				
Unrestricted	706,627	(460,450)	-	246,177
Temporarily restricted	570,262	-	-	570,262
TOTAL NET ASSETS	1,276,889	(460,450)	-	816,439
TOTAL LIABILITIES AND NET ASSETS	\$ 2,906,431	\$ 2,130,200	\$ -	\$5,036,631

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statement of Financial Position

June 30, 2015

	Massachusetts Housing and Shelter Alliance, Inc.	Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Total
<u>Assets</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 72,399	\$ 2,161,264	\$ -	\$ 2,233,663
Contracts receivable	1,475,928	-	-	1,475,928
Investments (Notes 2 & 4)	605,223	-	-	605,223
Prepaid expenses and other assets	72,072	212,247	(42,450)	241,869
Security deposits	9,450	-	-	9,450
TOTAL CURRENT ASSETS	2,235,072	2,373,511	(42,450)	4,566,133
NONCURRENT ASSETS (Note 6)				
Furniture and equipment, net	21,301	-	-	21,301
TOTAL ASSETS	\$ 2,256,373	\$ 2,373,511	\$ (42,450)	\$ 4,587,434
<u>Liabilities and Net Assets</u>				
CURRENT LIABILITIES				
Due to subrecipients	\$ 1,343,730	\$ -	\$ -	\$ 1,343,730
Accounts payable and accrued expenses	124,450	20,520	-	144,970
Deferred revenues	42,450	-	(42,450)	-
TOTAL CURRENT LIABILITIES	1,510,630	20,520	(42,450)	1,488,700
LONG-TERM NOTES PAYABLE, net of current portion	-	2,500,000	-	2,500,000
NET ASSETS				
Unrestricted	683,975	(147,009)	-	536,966
Temporarily restricted	61,768	-	-	61,768
TOTAL NET ASSETS	745,743	(147,009)	-	598,734
TOTAL LIABILITIES AND NET ASSETS	\$ 2,256,373	\$ 2,373,511	\$ (42,450)	\$ 4,587,434

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Activities and Changes in Net Assets

June 30, 2016

	Massachusetts Housing and Shelter Alliance, Inc.			Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Consolidated		
	Unrestricted	Temporarily		Unrestricted		Unrestricted	Temporarily	
		Restricted	Total				Restricted	Total
OPERATING REVENUE AND SUPPORT								
Government contracts	\$ 9,859,886	\$ -	\$ 9,859,886	\$ 158,367	\$ -	\$ 10,018,253	\$ -	\$ 10,018,253
Grants and contributions	404,764	864,167	1,268,931	333,333	-	738,097	864,167	1,602,264
Contributed goods & services	10,485	-	10,485	-	-	10,485	-	10,485
Program fees	280,604	-	280,604	-	(169,800)	110,804	-	110,804
Investment income	16,884	-	16,884	-	-	16,884	-	16,884
Net assets released from restrictions	355,673	(355,673)	-	-	-	355,673	(355,673)	-
TOTAL OPERATING REVENUE AND SUPPORT	10,928,296	508,494	11,436,790	491,700	(169,800)	11,250,196	508,494	11,758,690
OPERATING EXPENSES								
Program Expenses:								
Emergency shelter and transitional programs	5,549,913	-	5,549,913	-	-	5,549,913	-	5,549,913
Permanent housing	3,969,758	-	3,969,758	805,141	(169,800)	4,605,099	-	4,605,099
Rapid rehousing	873,808	-	873,808	-	-	873,808	-	873,808
Advocacy, planning and technical assistance	117,463	-	117,463	-	-	117,463	-	117,463
Total Program Expenses	10,510,942	-	10,510,942	805,141	(169,800)	11,146,283	-	11,146,283
Supporting Expenses:								
Fundraising and development	199,799	-	199,799	-	-	199,799	-	199,799
General and administrative	174,443	-	174,443	-	-	174,443	-	174,443
Total Supporting Expenses	374,242	-	374,242	-	-	374,242	-	374,242
TOTAL OPERATING EXPENSES	10,885,184	-	10,885,184	805,141	(169,800)	11,520,525	-	11,520,525
CHANGE IN NET ASSETS FROM OPERATIONS	43,112	508,494	551,606	(313,441)	-	(270,329)	508,494	238,165
NON-OPERATING ACTIVITIES								
Realized and unrealized losses on investments	(20,460)	-	(20,460)	-	-	(20,460)	-	(20,460)
TOTAL CHANGE IN NET ASSETS	22,652	508,494	531,146	(313,441)	-	(290,789)	508,494	217,705
NET ASSETS AT BEGINNING OF YEAR	683,975	61,768	745,743	(147,009)	-	536,966	61,768	598,734
NET ASSETS AT END OF YEAR	\$ 706,627	\$ 570,262	\$ 1,276,889	\$ (460,450)	\$ -	\$ 246,177	\$ 570,262	\$ 816,439

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Activities and Changes in Net Assets

June 30, 2015

	Massachusetts Housing and Shelter Alliance, Inc.			Massachusetts Alliance for Supportive Housing, LLC		Inter- Company Eliminations		Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total		
OPERATING REVENUE AND SUPPORT										
Government contracts	\$ 9,595,714	\$ -	\$ 9,595,714	\$ -	\$ -	\$ 9,595,714	\$ -	\$ 9,595,714		
Grants and contributions	381,817	60,000	441,817	250,000	(110,000)	521,817	60,000	581,817		
Contributed goods & services	3,182	-	3,182	-	-	3,182	-	3,182		
Program fees	139,081	-	139,081	-	(14,150)	124,931	-	124,931		
Investment income	14,618	-	14,618	-	-	14,618	-	14,618		
Net assets released from restrictions	165,281	(165,281)	-	-	-	165,281	(165,281)	-		
TOTAL OPERATING REVENUE AND SUPPORT	10,299,693	(105,281)	10,194,412	250,000	(124,150)	10,425,543	(105,281)	10,320,262		
OPERATING EXPENSES										
Program Expenses:										
Emergency shelter and transitional programs	5,221,343	-	5,221,343	-	-	5,221,343	-	5,221,343		
Permanent housing	3,665,363	-	3,665,363	397,009	(124,150)	3,938,222	-	3,938,222		
Rapid rehousing	821,880	-	821,880	-	-	821,880	-	821,880		
Advocacy, planning and technical assistance	239,595	-	239,595	-	-	239,595	-	239,595		
Total Program Expenses	9,948,181	-	9,948,181	397,009	(124,150)	10,221,040	-	10,221,040		
Supporting Expenses:										
Fundraising and development	165,161	-	165,161	-	-	165,161	-	165,161		
General and administrative	183,485	-	183,485	-	-	183,485	-	183,485		
Total Supporting Expenses	348,646	-	348,646	-	-	348,646	-	348,646		
TOTAL OPERATING EXPENSES	10,296,827	-	10,296,827	397,009	(124,150)	10,569,686	-	10,569,686		
CHANGE IN NET ASSETS FROM OPERATIONS	2,866	(105,281)	(102,415)	(147,009)	-	(144,143)	(105,281)	(249,424)		
NON-OPERATING ACTIVITIES										
Realized and unrealized gains on investments	8,911	-	8,911	-	-	8,911	-	8,911		
TOTAL CHANGE IN NET ASSETS	11,777	(105,281)	(93,504)	(147,009)	-	(135,232)	(105,281)	(240,513)		
NET ASSETS AT BEGINNING OF YEAR	672,198	167,049	839,247	-	-	672,198	167,049	839,247		
NET ASSETS AT END OF YEAR	\$ 683,975	\$ 61,768	\$ 745,743	\$ (147,009)	\$ -	\$ 536,966	\$ 61,768	\$ 598,734		

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Cash Flows

Years Ended June 30, 2016

	Massachusetts Housing and Shelter Alliance, Inc.	Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 531,146	\$ (313,441)	\$ -	\$ 217,705
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense	9,306	-	-	9,306
Realized and unrealized gains on investments, net	20,460	-	-	20,460
Donated common stock	(8,905)	-	-	(8,905)
Changes in operating assets and liabilities:				
Contracts receivable	(172,736)	(158,367)	(42,450)	(373,553)
Prepaid expenses and other assets	24,941	212,247	-	237,188
Security deposits	(15,728)	-	-	(15,728)
Due to subrecipients	164,860	-	-	164,860
Accounts payable and accrued expenses	(3,498)	70,130	-	66,632
Deferred revenues	(42,450)	-	42,450	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	507,396	(189,431)	-	317,965
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of furniture and equipment	(2,613)	-	-	(2,613)
Purchases of investments	(727,456)	-	-	(727,456)
Proceeds from maturities and sales of investments	265,759	-	-	265,759
NET CASH USED IN INVESTING ACTIVITIES	(464,310)	-	-	(464,310)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,086	(189,431)	-	(146,345)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	72,399	2,161,264	-	2,233,663
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 115,485	\$ 1,971,833	\$ -	\$ 2,087,318

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 843	\$ -	\$ -	\$ -
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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Cash Flows

Years Ended June 30, 2015

	Massachusetts Housing and Shelter Alliance, Inc.	Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (93,504)	\$ (147,009)	\$ -	\$ (240,513)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense	7,503	-	-	7,503
Realized and unrealized gains on investments, net	(8,911)	-	-	(8,911)
Donated common stock	(10,301)	-	-	(10,301)
Changes in operating assets and liabilities:				
Contracts receivable	288,759	-	-	288,759
Prepaid expenses and other assets	7,285	(212,247)	42,450	(162,512)
Security deposits	1,050	-	-	1,050
Due to subrecipients	(294,900)	-	-	(294,900)
Accounts payable and accrued expenses	(135,975)	20,520	-	(115,455)
Deferred revenues	42,450	-	(42,450)	-
NET CASH USED IN OPERATING ACTIVITIES	(196,544)	(338,736)	-	(535,280)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of furniture and equipment	(3,048)	-	-	(3,048)
Purchases of investments	(183,355)	-	-	(183,355)
Proceeds from maturities and sales of investments	177,809	-	-	177,809
NET CASH USED IN INVESTING ACTIVITIES	(8,594)	-	-	(8,594)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Long-term financing	-	2,500,000	-	2,500,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(205,138)	2,161,264	-	1,956,126
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	277,537	-	-	277,537
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 72,399	\$ 2,161,264	\$ -	\$ 2,233,663

OTHER FINANCIAL INFORMATION



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Independent Auditors' Report on Other Financial Information

Board of Directors

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

We have audited the consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary as of and for the years ended June 30, 2016 and 2015, and have issued our report, thereon on page one, dated November 9, 2016, which contains an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary comparative statements of position, activities and changes in net assets and cash flows and schedules of unrestricted operating support, revenue and expenses for the social impact bonding program for Massachusetts Housing and Shelter Alliance, Inc. ("MHSA") for the years ended June 30, 2016 and 2015, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary. 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 has been subjected to the auditing procedures applied in the audits of the basic 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016

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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Comparative Statements of Financial Position for MHSA

June 30

Assets

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 115,485	\$ 72,399
Contracts receivable	1,648,664	1,475,928
Investments (Notes 2 & 4)	1,055,365	605,223
Prepaid expenses and other assets	47,131	72,072
Security deposits	<u>25,178</u>	<u>9,450</u>
TOTAL CURRENT ASSETS	<u>2,891,823</u>	<u>2,235,072</u>
NONCURRENT ASSETS (Note 6)		
Furniture and equipment, net (Notes 2 & 5)	<u>14,608</u>	<u>21,301</u>
TOTAL ASSETS	<u>\$ 2,906,431</u>	<u>\$ 2,256,373</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Due to subrecipients	\$ 1,508,590	\$ 1,343,730
Accounts payable and accrued expenses	120,952	124,450
Deferred revenues	<u>-</u>	<u>42,450</u>
TOTAL CURRENT LIABILITIES	<u>1,629,542</u>	<u>1,510,630</u>
COMMITMENTS (Note 10)		
NET ASSETS (Notes 2 & 9)		
Unrestricted	706,627	683,975
Temporarily restricted	<u>570,262</u>	<u>61,768</u>
TOTAL NET ASSETS	<u>1,276,889</u>	<u>745,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,906,431</u>	<u>\$ 2,256,373</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Comparative Statements of Activities and Changes in Net Assets for MHSA

Years Ended June 30

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Government contracts	\$ 9,859,886	\$ -	\$ 9,859,886	\$ 9,595,714	\$ -	\$ 9,595,714
Grants and contributions	404,764	864,167	1,268,931	381,817	60,000	441,817
Contributed services (Note 2)	10,485	-	10,485	3,182	-	3,182
Program fees	280,604	-	280,604	139,081	-	139,081
Investment income	16,884	-	16,884	14,618	-	14,618
Net assets released from restrictions (Note 9)	355,673	(355,673)	-	165,281	(165,281)	-
TOTAL OPERATING REVENUE AND SUPPORT	10,928,296	508,494	11,436,790	10,299,693	(105,281)	10,194,412
OPERATING EXPENSES						
Program Expenses:						
Emergency shelter and transitional programs	5,549,913	-	5,549,913	5,221,343	-	5,221,343
Permanent housing	3,969,758	-	3,969,758	3,665,363	-	3,665,363
Rapid rehousing	873,808	-	873,808	821,880	-	821,880
Advocacy, planning and technical assistance	117,463	-	117,463	239,595	-	239,595
Total Program Expenses	10,510,942	-	10,510,942	9,948,181	-	9,948,181
Supporting Expenses:						
Fundraising and development	199,799	-	199,799	165,161	-	165,161
General and administrative	174,443	-	174,443	183,485	-	183,485
Total Supporting Expenses	374,242	-	374,242	348,646	-	348,646
TOTAL OPERATING EXPENSES	10,885,184	-	10,885,184	10,296,827	-	10,296,827
CHANGE IN NET ASSETS FROM OPERATIONS	43,112	508,494	551,606	2,866	(105,281)	(102,415)
NON-OPERATING ACTIVITIES						
Realized and unrealized (losses) gains on investments (Note 4)	(20,460)	-	(20,460)	8,911	-	8,911
TOTAL CHANGE IN NET ASSETS	22,652	508,494	531,146	11,777	(105,281)	(93,504)
NET ASSETS AT BEGINNING OF YEAR	683,975	61,768	745,743	672,198	167,049	839,247
NET ASSETS AT END OF YEAR	\$ 706,627	\$ 570,262	\$ 1,276,889	\$ 683,975	\$ 61,768	\$ 745,743

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Comparative Statements of Cash Flows for MHSA

Years Ended June 30

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 531,146	\$ (93,504)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,306	7,503
Realized and unrealized gains on investments, net	20,460	(8,911)
Donated common stock	(8,905)	(10,301)
Changes in operating assets and liabilities:		
Contracts receivable	(172,736)	288,759
Prepaid expenses and other assets	24,941	7,285
Security deposits	(15,728)	1,050
Due to subrecipients	164,860	(294,900)
Accounts payable and accrued expenses	(3,498)	(135,975)
Deferred revenues	(42,450)	42,450
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>507,396</u>	<u>(196,544)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(2,613)	(3,048)
Purchases of investments	(727,456)	(183,355)
Proceeds from maturities and sales of investments	<u>265,759</u>	<u>177,809</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(464,310)</u>	<u>(8,594)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,086	(205,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>72,399</u>	<u>277,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 115,485</u>	<u>\$ 72,399</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 843</u>	<u>\$ -</u>
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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Schedule of Unrestricted Operating Support, Revenue and Expenses for the Social Impact Bonding Program for MHSA

Year Ended June 30

	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE		
Program fees	\$ 169,800	\$ 14,150
Contributions	-	110,000
	<u>169,800</u>	<u>124,150</u>
EXPENSES		
Payroll	92,892	69,623
Payroll related	34,668	18,506
Professional fees	5,000	-
Special events	32,655	-
Occupancy	3,216	2,136
Other costs	5,700	9,111
TOTAL EXPENSES	<u>174,131</u>	<u>99,376</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (4,331)</u>	<u>\$ 24,774</u>



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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Our report on our audit of the consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary appears on Page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary. 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 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016

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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

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:				
Emergency Shelter Grant Program	14.231	CTOCD8000HF1416ESG07S0	\$ 211,552	\$ 211,552
Emergency Shelter Grant - Rapid Rehousing Program	14.231	CTOCD8000HF1416ESG29R1	863,759	<u>863,759</u>
				<u>1,075,311</u>
Pass through Commonwealth of Massachusetts, Dept. of Public Health:				
Supportive Housing Program	14.267	INTF2330M04W20212086	235,141	235,141
Supportive Housing Program	14.267	INTF2330M04W66409085	209,137	209,137
Supportive Housing Program	93.959	INTF2330M04W66409085	69,712	<u>69,712</u>
				<u>513,990</u>
Pass through City of Boston, Dept. of Neighborhood Development:				
Supportive Housing Program				
12/01/14 - 11/30/15	14.235	40261	197,388	63,316
12/01/15 - 11/30/16	14.235	41852	202,038	128,186
01/01/15 - 12/31/15	14.235	40447	353,023	183,696
01/01/16 - 12/31/16	14.235	42029	363,268	<u>200,744</u>
				<u>575,942</u>
<u>U.S. Dept. of Veterans Affairs</u>				
Safe Haven Program				
02/26/15 - 08/25/16	64.019	VA241-15-D-0013	1,019,280	<u>619,566</u>
				<u>619,566</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 2,784,809</u>
SUMMARY BY CFDA NUMBER:				
	14.231			\$ 1,075,311
	14.235			811,083
	14.267			209,137
	64.019			619,566
	93.959			<u>69,712</u>
				<u>\$ 2,784,809</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

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. and Subsidiary on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *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. and Subsidiary 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

United Homes/Children's Services	\$ 195,686
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Emergency Shelter Grant Program: CFDA #14.231

Rapid Rehousing Program

Homestart	262,229
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Supportive Housing Program: CFDA #14.235

Home and Healthy for Good Program

Caritas Communities	321,775
Cummins Highway, LLC.	25,000
Pine Street Inn	16,187
Taylor, Mitchell	15,924
	<u>378,886</u>

Supportive Housing Program: CFDA #14.235

Post Detox/Pre-Recovery

High Point/NeBCOA	56,802
South Middlesex Opportunity Council	181,156
	<u>237,958</u>

Supportive Housing Program: CFDA #14.235

Home Front Program

Bsharat, Mohammad S.	14,443
Caritas Communities	104,748
Clancy, Joseph	13,800
Latimore, Michael	14,200
New England Center for Homeless Veterans	52,525
Vieira, Melvin	10,200
	<u>209,916</u>

U.S. Dept. of Veterans Affairs

Safe Haven Program: CFDA #64.019

Boston Rescue Mission, Inc.	272,904
South Middlesex Opportunity Council	280,042
	<u>552,946</u>

TOTAL EXPENDITURES TO SUBRECIPIENTS	<u>\$ 1,837,621</u>
-------------------------------------	---------------------

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards (Cont.)

Year Ended June 30, 2016

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 and CFDA #93.959), to various private party landlords on behalf of program participants. Lease payments under this program for the year approximated \$302,000. Such amounts are included in the Schedule of Expenditures of Federal Awards.

Massachusetts Housing and Shelter Alliance, Inc. also provided federal awards in the form of rental and other tenant assistance, under the Emergency Shelter Grant – Rapid Rehousing Program (CFDA #14.231), to various private party landlords on behalf of program participants. Rental and other tenant assistance payments for the year approximated \$515,000. Such amounts are included in the Schedule of Expenditures and 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. and Subsidiary

We have audited, in accordance with the 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, the consolidated financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

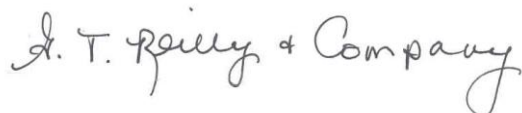
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's consolidated financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "G. T. Reilly & Company".

G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016



GT REILLY & COMPANY

CPAs and Advisors

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

We have audited Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's major federal programs for the year ended June 30, 2016. Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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. and Subsidiary'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

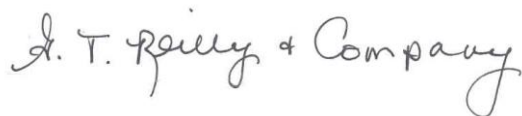
Report on Internal Control Over Compliance

Management of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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. and Subsidiary'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



G.T. Reilly & Company

Milton, Massachusetts
November 9, 2016

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Summary of Auditors' Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary expresses an unmodified 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 2 CFR section 200.516 (a) in this schedule.
7. The program tested as a major program was the U.S Department of Housing and Urban Development Emergency Solutions Grant Program CFDA 14.231.
8. The threshold used for distinguishing between Types A and B programs was \$750,000.
9. Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary 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. and Subsidiary

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

There were no prior audit findings.