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Single Audit Reporting Package

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

June 30, 2018

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Single Audit Reporting Package

June 30, 2018

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Independent Auditors' Report

Board of Directors of
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, 2018 and 2017, 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 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 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 auditor considers 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.

An independent firm associated with
Moore Stephens International Limited

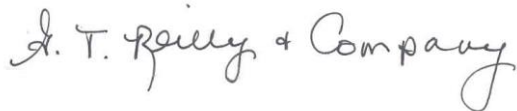
MOORE STEPHENS

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, 2018 and 2017, and the consolidated changes in their net assets and their 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 December 17, 2018, on our consideration of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary's 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
December 17, 2018

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30

Assets

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,203,385	\$ 1,741,682
Contracts receivable	3,937,504	3,275,711
Investments (Note 4)	906,526	1,259,281
Prepaid expenses and other assets	7,972	56,719
Security deposits	33,148	33,148
TOTAL CURRENT ASSETS	<u>7,088,535</u>	<u>6,366,541</u>
NONCURRENT ASSETS		
Furniture and equipment, net (Note 5)	<u>21,357</u>	<u>31,681</u>
TOTAL ASSETS	<u>\$ 7,109,892</u>	<u>\$ 6,398,222</u>

Liabilities and Net Assets

CURRENT LIABILITIES		
Due to subrecipients	\$ 3,023,004	\$ 2,639,922
Accounts payable and accrued expenses	269,866	337,248
Deferred revenues	-	-
Bank line of credit (Note 7)	-	-
TOTAL CURRENT LIABILITIES	<u>3,292,870</u>	<u>2,977,170</u>
LONG-TERM NOTES PAYABLE (Note 8)	<u>2,500,000</u>	<u>2,500,000</u>
COMMITMENTS (Note 10)		
NET ASSETS (Note 9)		
Unrestricted	457,720	103,065
Temporarily restricted	859,302	817,987
TOTAL NET ASSETS	<u>1,317,022</u>	<u>921,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,109,892</u>	<u>\$ 6,398,222</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

Years Ended June 30

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT						
Government contracts	\$ 11,864,989	\$ -	\$ 11,864,989	\$ 10,895,886	\$ -	\$ 10,895,886
Grants and contributions	1,004,362	605,775	1,610,137	762,687	741,667	1,504,354
Contributed services	-	-	-	1,240	-	1,240
Program fees	78,546	-	78,546	97,592	-	97,592
Investment income	42,066	-	42,066	14,365	-	14,365
Net assets released from restrictions (Note 9)	564,460	(564,460)	-	493,942	(493,942)	-
TOTAL OPERATING REVENUE AND SUPPORT	13,554,423	41,315	13,595,738	12,265,712	247,725	12,513,437
OPERATING EXPENSES						
Program Expenses:						
Emergency shelter and transitional programs	6,360,245	-	6,360,245	5,720,913	-	5,720,913
Permanent housing	5,616,769	-	5,616,769	5,463,518	-	5,463,518
Rapid rehousing	777,317	-	777,317	752,279	-	752,279
Advocacy, planning and technical assistance	19,286	-	19,286	88,062	-	88,062
Total Program Expenses	12,773,617	-	12,773,617	12,024,772	-	12,024,772
Supporting Expenses:						
Fundraising and development	249,615	-	249,615	276,708	-	276,708
General and administrative	221,741	-	221,741	165,135	-	165,135
Total Supporting Expenses	471,356	-	471,356	441,843	-	441,843
TOTAL OPERATING EXPENSES	13,244,973	-	13,244,973	12,466,615	-	12,466,615
CHANGE IN NET ASSETS FROM OPERATIONS	309,450	41,315	350,765	(200,903)	247,725	46,822
NON-OPERATING ACTIVITIES						
Realized and unrealized gains on investments (Note 4)	45,205	-	45,205	57,791	-	57,791
TOTAL CHANGE IN NET ASSETS	354,655	41,315	395,970	(143,112)	247,725	104,613
NET ASSETS AT BEGINNING OF YEAR	103,065	817,987	921,052	246,177	570,262	816,439
NET ASSETS AT END OF YEAR	\$ 457,720	\$ 859,302	\$ 1,317,022	\$ 103,065	\$ 817,987	\$ 921,052

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Emergency Shelter & Transitional Programs	Permanent Housing	Rapid Rehousing	Advocacy, Planning and Technical Assistance	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 531,986	\$ 383,780	\$ 51,562	\$ 7,036	\$ 974,364	\$ 92,437	\$ 57,854	\$ 1,124,655
Payroll Tax	43,975	30,230	4,288	492	78,985	7,252	4,444	90,681
Employee benefits	115,942	84,017	10,722	1,946	212,627	2,742	4,717	220,086
Total salaries and related expenses	691,903	498,027	66,572	9,474	1,265,976	102,431	67,015	1,435,422
Advertising	9	7	1	-	17	-	5,800	5,817
Bank charges	1,452	1,060	258	10	2,780	2,116	13,644	18,540
Conferences and materials	77	197	9	-	283	-	-	283
Contributions and sponsorships	143	105	17	200	465	-	4,007	4,472
Depreciation	5,576	4,068	680	-	10,324	-	-	10,324
Direct care consultants	6,620	60,000	-	-	66,620	-	-	66,620
Dues and subscriptions	1,953	1,425	238	-	3,616	-	-	3,616
Equipment rental/maintenance	1,880	1,957	229	-	4,066	-	45	4,111
Filing fees	4,900	3,575	597	2,904	11,976	388	21	12,385
Food/meals	4,980	3,578	563	-	9,121	231	8,262	17,614
Insurance	10,698	7,806	1,303	-	19,807	-	-	19,807
Interest expense	2,538	202,103	309	-	204,950	-	-	204,950
Network administration	6,431	193	784	-	7,408	-	-	7,408
Miscellaneous	291	205	35	-	531	-	125	656
Office supplies	7,178	4,833	807	-	12,818	222	493	13,533
Office rent and CAM charges	60,622	44,235	7,386	-	112,243	-	-	112,243
Other consultants	50,502	194,714	1,566	992	247,774	250	65,700	313,724
Payroll processing	1,145	834	139	-	2,118	-	-	2,118
Postage	1,416	1,033	174	-	2,623	9,170	87	11,880
Printing	417	4,182	51	-	4,650	63,705	9,054	77,409
Professional fees	-	-	-	-	-	-	42,500	42,500
Program facilities	404,186	758,956	-	-	1,163,142	-	-	1,163,142
Program tenant assistance	5,690	336,665	384,320	-	726,675	-	1,257	727,932
Speaker fees	-	-	-	1,720	1,720	-	-	1,720
Special events and fundraising	692	20,472	70	-	21,234	70,240	3,721	95,195
Staff training	422	1,323	4	-	1,749	590	-	2,339
Staff travel and related expenses	5,097	4,789	401	414	10,701	272	10	10,983
Subrecipients	5,079,528	3,422,119	310,218	3,572	8,815,437	-	-	8,815,437
Telephone and fax	3,899	2,350	372	-	6,621	-	-	6,621
Utilities	-	35,958	214	-	36,172	-	-	36,172
Total	\$ 6,360,245	\$ 5,616,769	\$ 777,317	\$ 19,286	\$ 12,773,617	\$ 249,615	\$ 221,741	\$ 13,244,973

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2017

	Emergency Shelter & Transitional Programs	Permanent Housing	Rapid Rehousing	Advocacy, Planning and Technical Assistance	Total Program	Fundraising & Development	General and Admin.	Total
Salaries	\$ 466,010	\$ 404,445	\$ 49,654	\$ 40,997	\$ 961,106	\$ 106,064	\$ 31,483	\$ 1,098,653
Payroll Tax	37,117	31,502	3,944	3,192	75,755	8,309	2,319	86,383
Employee benefits	69,191	72,172	8,218	10,905	160,486	24,482	7,017	191,985
Total salaries and related expenses	572,318	508,119	61,816	55,094	1,197,347	138,855	40,819	1,377,021
Advertising	195	74	11	-	280	205	-	485
Bank charges	531	422	242	19	1,214	474	10,078	11,766
Conferences and materials	219	36	5	-	260	-	-	260
Contributions and sponsorships	-	-	-	-	-	861	2,695	3,556
Depreciation	6,399	5,076	825	3	12,303	14	2,051	14,368
Direct care consultants	-	73,531	-	-	73,531	-	-	73,531
Dues and subscriptions	1,124	891	146	1	2,162	1,186	372	3,720
Equipment rental/maintenance	1,294	7,772	174	2	9,242	8	7	9,257
Filing fees	4,566	3,629	582	1	8,778	4	831	9,613
Food/meals	458	248	8	-	714	-	6,706	7,420
Insurance	9,783	7,788	1,525	62	19,158	276	185	19,619
Interest expense	533	76,269	68	-	76,870	-	-	76,870
Network administration	7,801	6,194	1,044	12	15,051	53	35	15,139
Miscellaneous	-	1,040	-	-	1,040	232	546	1,818
Office supplies	4,401	3,212	518	7	8,138	575	2,064	10,777
Office rent and CAM charges	53,970	42,752	6,980	29	103,731	130	87	103,948
Other consultants	25,644	191,338	1,838	20,595	239,415	19,742	61,439	320,596
Payroll processing	1,157	917	149	-	2,223	2	2	2,227
Postage	1,369	1,093	175	1	2,638	14,139	870	17,647
Printing	847	665	106	-	1,618	46,910	1,716	50,244
Professional fees	-	7,500	-	-	7,500	-	22,000	29,500
Program facilities	146,764	780,234	-	-	926,998	-	-	926,998
Program tenant assistance	1,258	316,362	455,502	3,142	776,264	-	10,623	786,887
Speaker fees	-	-	-	1,845	1,845	-	-	1,845
Special events and fundraising	2,646	32,980	338	1,351	37,315	51,791	1,860	90,966
Staff training	-	712	-	-	712	1,022	-	1,734
Staff travel and related expenses	3,104	1,612	1	506	5,223	196	127	5,546
Subrecipients	4,871,198	3,355,401	219,794	5,386	8,451,779	-	-	8,451,779
Telephone and fax	2,969	2,680	372	4	6,025	20	13	6,058
Utilities	365	34,971	60	2	35,398	13	9	35,420
Total	\$ 5,720,913	\$ 5,463,518	\$ 752,279	\$ 88,062	\$ 12,024,772	\$ 276,708	\$ 165,135	\$ 12,466,615

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 395,970	\$ 104,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	10,324	14,368
Realized and unrealized gains on investments, net	(45,205)	(57,791)
Donated common stock	(15,084)	(10,642)
Changes in operating assets and liabilities:		
Contracts receivable	(661,793)	(1,468,680)
Prepaid expenses and other assets	48,747	(9,588)
Security deposits	-	(7,970)
Due to subrecipients	383,082	1,131,332
Accounts payable and accrued expenses	(67,382)	125,646
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>48,659</u>	<u>(178,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	-	(31,441)
Purchases of investments	(203,461)	(809,351)
Proceeds from maturities and sales of investments	616,505	673,868
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>413,044</u>	<u>(166,924)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	461,703	(345,636)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,741,682</u>	<u>2,087,318</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,203,385</u>	<u>\$ 1,741,682</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 260,200</u>	<u>1,020</u>
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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2018

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, 2018 and 2017 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”. All transactions and intercompany balances between MHSA and MASH have been eliminated in the consolidation of the financial statements.

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 year 2018, the program provided, in partnership with community-based service organizations and landlords, 289 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 year 2018, the program provided, in partnership with community-based service organizations and landlords, 680 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 & Prevention – MHSA assisted 82 households during fiscal year 2018 in gaining permanent housing through rapid rehousing programs, which allows individuals and families to access start up, moving, utilities and short-medium term shallow rent subsidy funds when entering into housing. The Rapid Rehousing & Prevention programs currently operate in the Greater Boston area of Massachusetts. The Organization has developed best practices from the implementation of these programs to be used on continued rapid rehousing initiatives moving forward. MHSA also assisted 34 households from becoming homeless through the allocation of prevention funds to them.

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 ("A&F") 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 A&F and, (3) MHSA performs program administration services including providing a dedicated staff person and other administrative support.

During fiscal 2018, MASH assisted 109 individuals in gaining permanent housing through the Pay for Success program, serving a total of 612 individuals during the fiscal year.

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 2018 and 2017 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, 2018 and 2017 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 for 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 support 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 did not receive any contributed services during the year ended June 30, 2018 (\$1,240 in 2017).

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, 2018 up through December 17, 2018, 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 their fair values as summarized by investment type and industry/segment below:

	Cost	Unrealized Gains (Losses)	Fair Value
June 30, 2018			
Equity Securities:			
Consumer	\$ 51,939	\$ 20,839	\$ 72,778
Energy	25,690	5,981	31,671
Financial Services	37,492	15,502	52,994
Health Care	49,987	7,448	57,435
Industrial	94,156	50,723	144,879
Technology	8,591	213	8,804
Mutual Funds - Equities	127,196	3,439	130,635
	395,051	104,145	499,196
Debt Securities:			
Corporate Bonds	314,948	(2,490)	312,458
Government-sponsored Obligation	25,047	43	25,090
Mutual Funds - Fixed Income	71,431	(1,649)	69,782
	411,426	(4,096)	407,330
	\$ 806,477	\$ 100,049	\$ 906,526
June 30, 2017			
Equity Securities			
Consumer	\$ 65,260	\$ 14,341	\$ 79,601
Energy	32,725	230	32,955
Financial Services	41,180	13,159	54,339
Health Care	38,578	12,693	51,271
Industrial	31,854	12,605	44,459
Technology	47,608	27,252	74,860
Mutual Funds - Equities	105,481	11,111	116,592
	362,686	91,391	454,077
Debt Securities:			
Corporate Bonds	728,562	(4,463)	724,099
Municipal Bonds		-	
Government-sponsored Obligation	25,062	468	25,530
Mutual Funds - Fixed Income	54,635	940	55,575
	808,259	(3,055)	805,204
	\$ 1,170,945	\$ 88,336	\$ 1,259,281

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, 2018				
Equity Securities:				
Consumer	\$ 72,778	\$ -	\$ -	\$ 72,778
Energy	31,671	-	-	31,671
Financial Services	52,994	-	-	52,994
Health Care	57,435	-	-	57,435
Industrial	144,879	-	-	144,879
Technology	8,804	-	-	8,804
Mutual Funds - Equities	130,635	-	-	130,635
	<u>499,196</u>	<u>-</u>	<u>-</u>	<u>499,196</u>
Debt Securities:				
Corporate Bonds	-	312,458	-	312,458
Government-sponsored Obligation	-	25,090	-	25,090
Mutual Funds - Fixed Income	-	69,782	-	69,782
	<u>-</u>	<u>407,330</u>	<u>-</u>	<u>407,330</u>
	<u>\$ 499,196</u>	<u>\$ 407,330</u>	<u>\$ -</u>	<u>\$ 906,526</u>
June 30, 2017				
Equity Securities:				
Consumer	\$ 79,601	\$ -	\$ -	\$ 79,601
Energy	32,955	-	-	32,955
Financial Services	54,339	-	-	54,339
Health Care	51,271	-	-	51,271
Industrial	44,459	-	-	44,459
Technology	74,860	-	-	74,860
Mutual Funds - Equities	116,592	-	-	116,592
	<u>454,077</u>	<u>-</u>	<u>-</u>	<u>454,077</u>
Debt Securities:				
Corporate Bonds	-	724,099	-	724,099
Government-sponsored Obligation	-	25,530	-	25,530
Mutual Funds - Fixed Income	-	55,575	-	55,575
	<u>-</u>	<u>805,204</u>	<u>-</u>	<u>805,204</u>
	<u>\$ 454,077</u>	<u>\$ 805,204</u>	<u>\$ -</u>	<u>\$ 1,259,281</u>

Note 4 – Investments (Cont.)

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 40,637	\$ 15,495
Realized gains	33,492	10,922
Unrealized gains	<u>11,713</u>	<u>46,869</u>
Total investment returns	<u>\$ 85,842</u>	<u>\$ 73,286</u>
Investment fees	<u>\$ 12,031</u>	<u>\$ 8,639</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>2018</u>	<u>2017</u>
Office equipment	\$ 20,641	\$ 20,641
Computer equipment and software	53,695	53,695
Office furniture	<u>22,444</u>	<u>22,444</u>
	96,780	96,780
Less accumulated depreciation	<u>75,423</u>	<u>65,099</u>
	<u>\$ 21,357</u>	<u>\$ 31,681</u>

Depreciation expense was \$10,324 and \$14,368 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, \$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 \$500,000 line of credit with a local bank, collateralized by all business assets. Borrowings under the agreement are due on demand and interest is payable monthly at the Wall Street Journal prime rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively). As of June 30, 2018 and 2017, there were no outstanding balances under this agreement.

Note 8 – MASH Program Financing and Contract Revenues

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 (see Note 1). 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 is determined by an independent evaluator. The first interest calculation date was June 30, 2017 and final interest calculation date is June 30, 2021. All interest charges are required to 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 estimated success rate through June 30, 2018 and 2017, interest expense for the years ended June 30, 2018 and 2017 was \$200,250 and \$75,850, respectively. During fiscal 2018, MASH made interest payments of \$255,500 to the investors. Unpaid accrued interest is \$111,250 at June 30, 2018 (\$166,500 at June 30, 2017). During 2018, one of the investors donated the amount of its interest payment, \$102,200, back to MHSA as an unrestricted contribution.

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 million (cumulative payments through June 30, 2018 approximate \$2.6 million).

Note 9 – Net Assets

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

	<u>2018</u>	<u>2017</u>
Hospital to Housing	\$ 854,208	\$ 789,631
Operational Support - Time Restricted	5,094	28,356
	<u>\$ 859,302</u>	<u>\$ 817,987</u>

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

	<u>2018</u>	<u>2017</u>
Pilgrim Church Repairs	\$ 14,109	\$ -
Hospital to Housing	502,089	303,563
Veterans Homeless In-Reach Program	25,000	-
Operational Support - Time Restricted	23,262	190,379
	<u>\$ 564,460</u>	<u>\$ 493,942</u>

Note 10 – Lease Commitments

Occupancy Leases – The Organization previously 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 principal offices to 7 Bulfinch Place in Boston under a five-year lease agreement with first year monthly rentals of \$8,809. The agreement contains one option to extend the lease for an additional five-year term at the prevailing market rate. The lease required a security deposit of \$17,618. The base rent encompasses the costs of 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 approximated \$112,000 and \$104,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments due under the non-cancellable lease is as follows:

Year Ending June 30	
2019	\$ 112,691
2020	116,336
2021	119,981
2022	10,024
Total	<u>\$ 359,032</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 \$334,000 and \$314,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments due under these residential housing lease agreements are \$34,100 during the year ending June 30, 2019.

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, 2018 and 2017 totaled \$24,084 and \$22,893, respectively.

Note 12 - Related Party Transactions

Board of Directors – Four of the twenty-four members of the Organization's Board of Directors who served at some point during the year ended June 30, 2018 are Executive Directors of organizations that hold subcontracts with 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).

Below is a summary of related party transactions and account balances as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Expenses:		
Subcontractors/program facilities	<u>\$ 3,127,295</u>	<u>\$ 2,536,567</u>
Revenues and Support:		
Contributions	<u>\$ 67,043</u>	<u>\$ 42,707</u>
Liabilities:		
Due to subrecipients	<u>\$ 1,404,508</u>	<u>\$ 690,900</u>

Note 13 - Financial Instruments, Credit Risk and Concentrations

Cash - The Organization maintains a significant portion of its cash balances in three 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, 2018, MASH's cash balance in one of these three banks exceeded FDIC coverage by approximately \$1,554,000, based upon the bank's balances. At June 30, 2018, MHSA has cash equivalents of approximately \$188,000, consisting of two uninsured money market accounts. The Organization performs periodic evaluations of the relative credit standings of the banks to limit the amount of credit exposure with these financial institutions.

Investments - The Organization has investments in various equity and debt securities which are exposed to various risks, such as interest rate, credit and market risk. These investment securities are disclosed in further detail by investment type and industry/segment in Note 4.

Contracts Receivable and Revenues - The Organization's contracts receivable are amounts predominantly due from federal, state and local governments. The Organization received approximately \$10,473,000 (77%) and \$9,608,000 (77%) of its total revenues and support from the Commonwealth of Massachusetts during 2018 and 2017, respectively.

Grants and Contributions - For the year ended June 30, 2018 approximately \$900,000 (56%) of the Organizations grants and contributions came from two grantors/donors. For the year ended June 30, 2017, approximately \$1,075,000 (71%) came from three grantors/donors.

CONSOLIDATING FINANCIAL STATEMENTS



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Independent Auditors' Report On Consolidating Financial Statements

Board of Directors of
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, 2018 and 2017, and our report thereon dated December 17, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position as of June 30, 2018 and 2017, and the related consolidating statements of activities and changes in net assets, and cash flows for the years then ended, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
December 17, 2018

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, 2018

	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	\$ 400,598	\$ 1,802,787	\$ -	\$ 2,203,385
Contracts receivable	3,161,355	776,149	-	3,937,504
Investments	906,526	-	-	906,526
Prepaid expenses and other assets	7,972	-	-	7,972
Security deposits	33,148	-	-	33,148
TOTAL CURRENT ASSETS	<u>4,509,599</u>	<u>2,578,936</u>	<u>-</u>	<u>7,088,535</u>
NONCURRENT ASSETS				
Furniture and equipment, net	21,357	-	-	21,357
TOTAL ASSETS	<u>\$ 4,530,956</u>	<u>\$ 2,578,936</u>	<u>\$ -</u>	<u>\$ 7,109,892</u>
<u>Liabilities and Net Assets</u>				
CURRENT LIABILITIES				
Due to subrecipients	\$ 3,023,004	\$ -	\$ -	\$ 3,023,004
Accounts payable and accrued expenses	158,616	111,250	-	269,866
TOTAL CURRENT LIABILITIES	<u>3,181,620</u>	<u>111,250</u>	<u>-</u>	<u>3,292,870</u>
LONG-TERM NOTE PAYABLE	-	2,500,000	-	2,500,000
NET ASSETS (DEFICIENCY)				
Unrestricted	490,034	(32,314)	-	457,720
Temporarily restricted	859,302	-	-	859,302
TOTAL NET ASSETS	<u>1,349,336</u>	<u>(32,314)</u>	<u>-</u>	<u>1,317,022</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,530,956</u>	<u>\$ 2,578,936</u>	<u>\$ -</u>	<u>\$ 7,109,892</u>

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statement of Financial Position

June 30, 2017

	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	\$ 494,300	\$ 1,247,382	\$ -	\$ 1,741,682
Contracts receivable	2,340,727	934,984	-	3,275,711
Investments	1,259,281	-	-	1,259,281
Prepaid expenses and other assets	56,719	-	-	56,719
Security deposits	33,148	-	-	33,148
TOTAL CURRENT ASSETS	4,184,175	2,182,366	-	6,366,541
NONCURRENT ASSETS				
Furniture and equipment, net	31,681	-	-	31,681
TOTAL ASSETS	\$ 4,215,856	\$ 2,182,366	\$ -	\$ 6,398,222
<u>Liabilities and Net Assets</u>				
CURRENT LIABILITIES				
Due to subrecipients	\$ 2,639,922	\$ -	\$ -	\$ 2,639,922
Accounts payable and accrued expenses	170,748	166,500	-	337,248
TOTAL CURRENT LIABILITIES	2,810,670	166,500	-	2,977,170
LONG-TERM NOTES PAYABLE	-	2,500,000	-	2,500,000
NET ASSETS (DEFICIENCY)				
Unrestricted	587,199	(484,134)	-	103,065
Temporarily restricted	817,987	-	-	817,987
TOTAL NET ASSETS	1,405,186	(484,134)	-	921,052
TOTAL LIABILITIES AND NET ASSETS	\$ 4,215,856	\$ 2,182,366	\$ -	\$ 6,398,222

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Activities and Changes in Net Assets

June 30, 2018

	Massachusetts Housing and Shelter Alliance, Inc.			Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Consolidated		
	Unrestricted	Temporarily	Total	Unrestricted		Unrestricted	Temporarily	Total
		Restricted					Restricted	
OPERATING REVENUE AND SUPPORT								
Government contracts	\$ 10,331,753	\$ -	\$ 10,331,753	\$ 1,533,236	\$ -	\$ 11,864,989	\$ -	\$ 11,864,989
Grants and contributions	671,028	605,775	1,276,803	333,334	-	1,004,362	605,775	1,610,137
Contributed goods & services	-	-	-	-	-	-	-	-
Program fees	226,746	-	226,746	-	(148,200)	78,546	-	78,546
Investment income	42,066	-	42,066	-	-	42,066	-	42,066
Net assets released from restrictions	564,460	(564,460)	-	-	-	564,460	(564,460)	-
TOTAL OPERATING REVENUE AND SUPPORT	11,836,053	41,315	11,877,368	1,866,570	(148,200)	13,554,423	41,315	13,595,738
OPERATING EXPENSES								
Program Expenses:								
Emergency shelter and transitional programs	6,360,245	-	6,360,245	-	-	6,360,245	-	6,360,245
Permanent housing	4,350,219	-	4,350,219	1,414,750	(148,200)	5,616,769	-	5,616,769
Rapid rehousing	777,317	-	777,317	-	-	777,317	-	777,317
Advocacy, planning and technical assistance	19,286	-	19,286	-	-	19,286	-	19,286
Total Program Expenses	11,507,067	-	11,507,067	1,414,750	(148,200)	12,773,617	-	12,773,617
Supporting Expenses:								
Fundraising and development	249,615	-	249,615	-	-	249,615	-	249,615
General and administrative	221,741	-	221,741	-	-	221,741	-	221,741
Total Supporting Expenses	471,356	-	471,356	-	-	471,356	-	471,356
TOTAL OPERATING EXPENSES	11,978,423	-	11,978,423	1,414,750	(148,200)	13,244,973	-	13,244,973
CHANGE IN NET ASSETS FROM OPERATIONS	(142,370)	41,315	(101,055)	451,820	-	309,450	41,315	350,765
NON-OPERATING ACTIVITIES								
Realized and unrealized net gains on investments	45,205	-	45,205	-	-	45,205	-	45,205
TOTAL CHANGE IN NET ASSETS	(97,165)	41,315	(55,850)	451,820	-	354,655	41,315	395,970
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	587,199	817,987	1,405,186	(484,134)	-	103,065	817,987	921,052
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 490,034	\$ 859,302	\$ 1,349,336	\$ (32,314)	\$ -	\$ 457,720	\$ 859,302	\$ 1,317,022

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Activities and Changes in Net Assets

June 30, 2017

	Massachusetts Housing and Shelter Alliance, Inc.			Massachusetts Alliance for Supportive Housing, LLC	Inter- Company Eliminations	Consolidated		
	Unrestricted	Temporarily Restricted	Total	Unrestricted		Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT								
Government contracts	\$ 9,960,902	\$ -	\$ 9,960,902	\$ 934,984	\$ -	\$ 10,895,886	\$ -	\$ 10,895,886
Grants and contributions	429,354	741,667	1,171,021	333,333	-	762,687	741,667	1,504,354
Contributed goods & services	1,240	-	1,240	-	-	1,240	-	1,240
Program fees	246,392	-	246,392	-	(148,800)	97,592	-	97,592
Investment income	14,365	-	14,365	-	-	14,365	-	14,365
Net assets released from restrictions	493,942	(493,942)	-	-	-	493,942	(493,942)	-
TOTAL OPERATING REVENUE AND SUPPORT	11,146,195	247,725	11,393,920	1,268,317	(148,800)	12,265,712	247,725	12,513,437
OPERATING EXPENSES								
Program Expenses:								
Emergency shelter and transitional programs	5,720,913	-	5,720,913	-	-	5,720,913	-	5,720,913
Permanent housing	4,320,317	-	4,320,317	1,292,001	(148,800)	5,463,518	-	5,463,518
Rapid rehousing	752,279	-	752,279	-	-	752,279	-	752,279
Advocacy, planning and technical assistance	88,062	-	88,062	-	-	88,062	-	88,062
Total Program Expenses	10,881,571	-	10,881,571	1,292,001	(148,800)	12,024,772	-	12,024,772
Supporting Expenses:								
Fundraising and development	276,708	-	276,708	-	-	276,708	-	276,708
General and administrative	165,135	-	165,135	-	-	165,135	-	165,135
Total Supporting Expenses	441,843	-	441,843	-	-	441,843	-	441,843
TOTAL OPERATING EXPENSES	11,323,414	-	11,323,414	1,292,001	(148,800)	12,466,615	-	12,466,615
CHANGE IN NET ASSETS FROM OPERATIONS	(177,219)	247,725	70,506	(23,684)	-	(200,903)	247,725	46,822
NON-OPERATING ACTIVITIES								
Realized and unrealized net losses on investments	57,791	-	57,791	-	-	57,791	-	57,791
TOTAL CHANGE IN NET ASSETS	(119,428)	247,725	128,297	(23,684)	-	(143,112)	247,725	104,613
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	706,627	570,262	1,276,889	(460,450)	-	246,177	570,262	816,439
NET ASSETS (DEFICIENCY) AT END OF YEAR	\$ 587,199	\$ 817,987	\$ 1,405,186	\$ (484,134)	\$ -	\$ 103,065	\$ 817,987	\$ 921,052

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Cash Flows

Years Ended June 30, 2018

	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	\$ (55,850)	\$ 451,820	\$ -	\$ 395,970
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense	10,324	-	-	10,324
Realized and unrealized gains on investments, net	(45,205)	-	-	(45,205)
Donated common stock	(15,084)	-	-	(15,084)
Changes in operating assets and liabilities:				
Contracts receivable	(820,628)	158,835	-	(661,793)
Prepaid expenses and other assets	48,747	-	-	48,747
Due to subrecipients	383,082	-	-	383,082
Accounts payable and accrued expenses	(12,132)	(55,250)	-	(67,382)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(506,746)</u>	<u>555,405</u>	<u>-</u>	<u>48,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(203,461)	-	-	(203,461)
Proceeds from maturities and sales of investments	616,505	-	-	616,505
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>413,044</u>	<u>-</u>	<u>-</u>	<u>413,044</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(93,702)	555,405	-	461,703
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>494,300</u>	<u>1,247,382</u>	<u>-</u>	<u>1,741,682</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 400,598</u>	<u>\$ 1,802,787</u>	<u>\$ -</u>	<u>\$ 2,203,385</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	<u>\$ 4,700</u>	<u>\$ 255,500</u>	<u>\$ -</u>	<u>\$ 260,200</u>
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Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidating Statements of Cash Flows

Years Ended June 30, 2017

	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	\$ 128,297	\$ (23,684)	\$ -	\$ 104,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense	14,368	-	-	14,368
Realized and unrealized losses on investments, net	(57,791)	-	-	(57,791)
Donated common stock	(10,642)	-	-	(10,642)
Changes in operating assets and liabilities:				
Contracts receivable	(692,063)	(776,617)	-	(1,468,680)
Prepaid expenses and other assets	(9,588)	-	-	(9,588)
Security deposits	(7,970)	-	-	(7,970)
Due to subrecipients	1,131,332	-	-	1,131,332
Accounts payable and accrued expenses	49,796	75,850	-	125,646
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	545,739	(724,451)	-	(178,712)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of furniture and equipment	(31,441)	-	-	(31,441)
Purchases of investments	(809,351)	-	-	(809,351)
Proceeds from maturities and sales of investments	673,868	-	-	673,868
NET CASH USED IN INVESTING ACTIVITIES	(166,924)	-	-	(166,924)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	378,815	(724,451)	-	(345,636)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	115,485	1,971,833	-	2,087,318
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 494,300	\$ 1,247,382	\$ -	\$ 1,741,682

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 1,020	\$ -	\$ -	\$ 1,020
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OTHER FINANCIAL INFORMATION



GT REILLY & COMPANY

CPAs and Advisors

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Independent Auditors' Report on Other Financial Information

Board of Directors of
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, 2018 and 2017, and our report thereon dated December 17, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of unrestricted operating support, revenue and expenses for the "social impact bonding program" for the years ended June 30, 2018 and 2017 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
December 17, 2018

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Consolidated Schedules of Unrestricted Operating Support, Revenue and Expenses for the Social Impact Bonding Program

Year Ended June 30

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE		
Government contracts	\$ 1,533,236	\$ 934,984
Grants and contributions	<u>333,334</u>	<u>333,333</u>
TOTAL SUPPORT AND REVENUE	<u>1,866,570</u>	<u>1,268,317</u>
EXPENSES		
Payroll	122,509	142,808
Payroll related	47,476	45,144
Direct care consultants	60,000	60,000
Interest expense	200,634	75,850
Other consultants	131,943	130,000
Subrecipients	876,300	876,311
Professional fees	-	2,500
Software support	20,140	31,392
Occupancy	9,159	10,373
Other costs	<u>4,862</u>	<u>15,179</u>
TOTAL EXPENSES	<u>1,473,023</u>	<u>1,389,557</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 393,547</u>	<u>\$ (121,240)</u>

Note A – Purpose of Presentation

The accompanying consolidated schedules of unrestricted operating support, revenue and expenses for the social impact bonding program are provided to present additional information to the investors that financed the Pay for Success Homeless Initiative (see Note 8). The revenues and expenses reported above include only the specific program activities of MHSA and MASH performed in conjunction with this initiative. All intercompany transactions have been eliminated in the consolidation of these schedules.



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Independent Auditors' Report on Schedule of Expenditures of Federal Awards

Board of Directors of
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, 2018 and 2017, and our report thereon dated December 17, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on Page 1. Our audits were 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

G.T. Reilly & Company

Milton, Massachusetts
December 17, 2018

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass through Number	Passed through to Subrecipients	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 04/01/17 - 03/31/19	14.231	CTOCD800016FMESG622251	\$ 404,186	\$ 923,702
Pass through Commonwealth of Massachusetts, Dept. of Public Health:				
Post-Detox Pre-Recovery Supportive Housing Program 07/01/17 - 06/30/18	14.267	INTF2330M04W20212086	242,975	246,712
Journey To Success Supportive Housing Program 04/01/17 - 03/31/18	14.267	INTF2330M04W66409085	87,519	292,401
Pass through City of Boston, Dept. of Neighborhood Development:				
Home Front Supportive Housing Program 12/01/16 - 11/30/17	14.235	42687		76,726
12/01/17 - 11/30/18	14.235	44420		124,339
			201,065	201,065
Home & Healthy for Good Supportive Housing Program 01/01/17 - 12/31/17	14.235	42995		179,143
01/01/18 - 12/31/18	14.235	44316		177,275
			352,929	356,418
Rapid Rehousing For Families Program 09/01/16 - 08/31/17	14.267	42932		65,436
09/01/17 - 08/31/18	14.267	44406		206,503
			222,699	271,939
<u>U.S. Dept. of Veterans Affairs</u>				
Safe Haven Program 04/01/17- 09/30/18	64.019	VA241-17-C-0060	506,610	562,900
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 2,017,983	\$ 2,855,137
SUMMARY BY CFDA NUMBER:				
	14.231			\$ 923,702
	14.235			557,483
	14.267			811,052
	64.019			562,900
				\$ 2,855,137

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary.

Note 2 – Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Massachusetts Housing and Shelter Alliance, Inc. and its Subsidiary have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – 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 \$334,000. 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) and Rapid Rehousing for Families (CFDA #14.267), to various private party landlords on behalf of program participants. Rental and other tenant assistance payments for the year approximated \$196,000 and \$175,000 for the respective programs. 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 of
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, 2018, 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 December 17, 2018.

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 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.

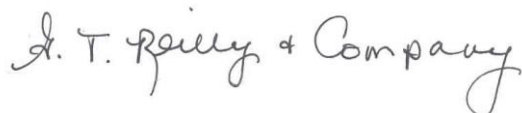
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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". The signature is written in dark ink and is positioned above the printed name of the firm.

G.T. Reilly & Company

Milton, Massachusetts
December 17, 2018



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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 of
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, 2018. 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 requirements 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, 2018.

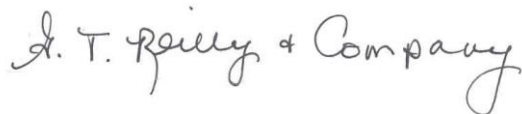
Report on Internal Control Over Compliance

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 the 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, 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
December 17, 2018

Massachusetts Housing and Shelter Alliance, Inc. and Subsidiary

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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 Continuum of Care Program CFDA #14.267.
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, 2018

There were no prior audit findings.