

MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC.

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

June 30, 2005

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# Meaden & Moore

## INDEPENDENT AUDITORS' REPORT

Board of Directors

Mental Health Services For Homeless Persons, Inc.  
Cleveland, Ohio

We have audited the accompanying statements of financial position of MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC. as of June 30, 2005 and 2004, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Services For Homeless Persons, Inc. as of June 30, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2005, on our consideration of Mental Health Services For Homeless Persons, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an intergal part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Mental Health Services For Homeless Persons, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Meaden & Moore, LTD.*

MEADEN & MOORE, LTD.  
Certified Public Accountants

August 19, 2005  
Cleveland, Ohio



**Meaden & Moore, Ltd.**  
*(A Meaden & Moore Company)*

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STATEMENT OF FINANCIAL POSITION

Mental Health Services For Homeless Persons, Inc.

	June 30	
	<u>2005</u>	<u>2004</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 229,036	\$ 66,836
Custodial cash	120,724	150,938
Accounts receivable	1,642,400	1,534,399
Prepaid expenses	12,330	15,110
Property and equipment -net	2,053,354	546,708
Deposits	<u>23,760</u>	<u>22,660</u>
 Total Assets	 <u>\$ 4,081,604</u>	 <u>\$ 2,336,651</u>
<b>LIABILITIES:</b>		
Line-of-credit	\$ 200,000	\$ 175,000
Accounts payable	424,271	233,645
Custodial accounts	120,724	150,938
Accrued expenses	637,162	547,065
Deferred revenue	347,723	158,248
Long-term debt	<u>1,171,968</u>	<u>30,381</u>
 Total Liabilities	 2,901,848	 1,295,277
 <b>NET ASSETS</b>	 <u>1,179,756</u>	 <u>1,041,374</u>
 Total Liabilities and Net Assets	 <u>\$ 4,081,604</u>	 <u>\$ 2,336,651</u>

See accompanying notes.

STATEMENT OF CHANGES IN NET ASSETS

Mental Health Services For Homeless Persons, Inc.

Years Ended June 30, 2005 and 2004

Net Assets - June 30, 2003	\$ 853,983
Changes in net assets - 2004	<u>187,391</u>
Net Assets - June 30, 2004	1,041,374
Changes in net assets - 2005	<u>138,382</u>
Net Assets - June 30, 2005	<u>\$ 1,179,756</u>

*See accompanying notes.*

## STATEMENT OF ACTIVITIES

Mental Health Services For Homeless Persons, Inc.

SUPPORT AND REVENUE:	Year Ended June 30	
	2005	2004
Contributions and grants	\$ 143,237	\$ 120,763
Government grants	7,804,673	6,138,362
Medicaid	1,372,340	1,181,591
Program fees	942,822	1,004,805
Investment income	-	23
Other income	83,905	1,110
Total Support and Revenue	10,346,977	8,446,654
<b>EXPENSES:</b>		
Program Services:		
Outreach	885,330	882,854
Shelter	2,189,453	1,201,349
Community Support	967,118	906,447
Housing	1,762,459	1,463,317
Crisis	2,900,365	2,698,698
Total Program Services	8,704,725	7,152,665
General and administrative	1,481,347	1,082,749
Fundraising and development	22,523	23,849
Total Expenses	10,208,595	8,259,263
Change in Net Assets	\$ 138,382	\$ 187,391

*See accompanying notes.*

STATEMENT OF FUNCTIONAL EXPENSES

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30

2005

	Outreach	Shelter	Community Support	Housing	Crisis	Total Program	General & Administrative	Fundraising & Development	Total
Personnel costs	\$ 609,463	\$ 1,413,473	\$ 692,974	\$ 1,174,784	\$ 2,256,066	\$ 6,146,760	\$ 989,943	\$ -	\$ 7,136,703
Professional and contract services	113,742	412,504	31,676	143,421	283,716	985,059	163,777	-	1,148,836
Program costs	20,386	212,511	14,408	70,086	49,870	367,261	2,191	22,523	391,975
Occupancy	112,980	111,072	188,307	316,941	211,462	940,762	164,713	-	1,105,475
Office expenses	9,919	25,345	11,774	19,591	29,251	95,880	88,477	-	184,357
Advertising	-	-	-	-	-	-	-	-	-
Staff development	13,090	6,950	26,900	22,120	62,744	131,804	28,620	-	160,424
Other expense	5,750	7,598	1,079	15,516	7,256	37,199	43,626	-	80,825
<b>Total Expense</b>	<b>\$ 885,330</b>	<b>\$ 2,189,453</b>	<b>\$ 967,118</b>	<b>\$ 1,762,459</b>	<b>\$ 2,900,365</b>	<b>\$ 8,704,725</b>	<b>\$ 1,481,347</b>	<b>\$ 22,523</b>	<b>\$ 10,208,595</b>

2004

	Outreach	Shelter	Community Support	Housing	Crisis	Total Program	General & Administrative	Fundraising & Development	Total
Personnel costs	\$ 640,545	\$ 824,836	\$ 562,285	\$ 953,321	\$ 2,123,707	\$ 5,104,694	\$ 802,358	\$ -	\$ 5,907,052
Professional and contract services	97,386	187,978	97,381	82,389	185,433	650,567	84,408	23,849	758,824
Program costs	6,762	73,045	20,586	78,015	34,367	212,775	946	-	213,721
Occupancy	110,084	86,074	192,713	293,539	263,100	945,510	80,911	-	1,026,421
Office expenses	12,360	16,838	9,702	26,427	34,796	100,123	58,152	-	158,275
Advertising	-	-	-	-	-	-	-	-	-
Staff development	10,083	6,215	22,778	17,080	49,252	105,408	21,395	-	126,803
Other expense	5,634	6,363	1,002	12,546	8,043	33,588	34,579	-	68,167
<b>Total Expense</b>	<b>\$ 882,854</b>	<b>\$ 1,201,349</b>	<b>\$ 906,447</b>	<b>\$ 1,463,317</b>	<b>\$ 2,698,698</b>	<b>\$ 7,152,665</b>	<b>\$ 1,082,749</b>	<b>\$ 23,849</b>	<b>\$ 8,259,263</b>

See accompanying notes.

## STATEMENT OF CASH FLOWS

Mental Health Services For Homeless Persons, Inc.

	Year Ended June 30	
	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from support and revenue	\$ 10,428,451	\$ 7,946,283
Interest received	-	23
Cash paid to suppliers and employees	(9,773,483)	(8,073,979)
Interest paid	<u>(9,101)</u>	<u>(6,436)</u>
Net Cash Provided by (Used in) Operating Activities	<b>645,867</b>	(134,109)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(474,154)	(129,283)
Deposits	<u>(1,100)</u>	<u>(5,300)</u>
Net Cash Used in Investing Activities	<b>(475,254)</b>	(134,583)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(33,413)	(31,710)
Net borrowings on line-of-credit	<u>25,000</u>	<u>175,000</u>
Net Cash Provided by (Used in) Financing Activities	<b>(8,413)</b>	143,290
Increase (Decrease) in Cash and Cash Equivalents	<b>162,200</b>	(125,402)
Cash and Cash Equivalents - Beginning of the Year	<u>66,836</u>	<u>192,238</u>
Cash and Cash Equivalents - End of the Year	<b><u>\$ 229,036</u></b>	<b><u>\$ 66,836</u></b>

*See accompanying notes.*

	Year Ended June 30	
	<u>2005</u>	<u>2004</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH</b>		
<b>PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 138,382	\$ 187,391
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	142,508	141,955
Increase (Decrease) in Cash from Changes in:		
Accounts receivable - trade	(108,001)	(413,247)
Prepaid expenses	2,780	1,930
Accounts payable	190,626	(52,218)
Accrued expenses	90,097	87,181
Deferred revenue	<u>189,475</u>	<u>(87,101)</u>
 Total Adjustments	 <u>507,485</u>	 <u>(321,500)</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>\$ 645,867</u>	 <u>\$ (134,109)</u>
 <b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>		
Assets acquired by debt	<u>\$ 1,175,000</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS

### Mental Health Services For Homeless Persons, Inc.

#### 1 Summary of Significant Accounting Policies

##### *Nature of the Organization:*

The Organization is incorporated in the State of Ohio as a not-for-profit organization. The Organization provides mental health services to persons with severe mental disabilities who are homeless or at immediate risk to becoming homeless.

##### *Program Descriptions:*

Outreach - seek out homeless, mentally ill persons in the community and attempt to engage in a manner that motivates them to accept services that will lead them out of homelessness. Services are provided throughout Cuyahoga County in shelters, hunger centers, and on the streets. In FY2003 this service also included an emergency overnight shelter for disabled men that is categorized under Shelter for FY2004.

Shelter - provides emergency shelters for women and disabled men. The women's emergency shelter operates one hundred and thirty beds for women who cannot access other programs and services in the community. The men's emergency shelter operates fifty beds for disabled men who need specialized services.

Community Support - provides a case management approach to managing the care of mentally ill, homeless persons so that they can live in a community setting.

Housing - provides four housing programs located throughout the county for individuals who need more intensive support.

Crisis - includes both an adult and child mobile crisis team that responds to psychiatric crises in the community, at hospitals and in schools. The crisis program also operates the 24-hour crisis hotline. In addition, the agency is the primary provider for the countywide Children Who Witness Violence program that responds to children who have been involved in a domestic violence situation.

##### *Use of Estimates:*

The preparation 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

### 1 Summary of Significant Accounting Policies, Continued

#### *Classification of Net Assets:*

In accordance with Financial Accounting Standards Nos. 116 and 117, contributions are classified as unrestricted, temporarily restricted, and permanently restricted based on donor specifications. Assets, liabilities, revenues and gains are presented under these classifications. Designations by the Board, while separately stated, are considered unrestricted.

#### *Cash and Cash Equivalents:*

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Temporarily uninvested cash in investment accounts is considered an investment rather than a cash equivalent.

At times during the year, the Organization maintained funds on deposit at its banks in excess of FDIC insurance limits.

#### *Revenue Recognition:*

Program fees are recognized over the periods to which they relate. Fees billed in advance are recorded as deferred revenue.

Contributions and grants are recognized when awarded as unrestricted, temporarily restricted or permanently restricted in accordance with donor specifications. When a restriction expires through accomplishment of purpose or passage of time, the restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

#### *Donated Services:*

The Organization received donated services (general assistance, fundraising events, telephone answering, etc) which do not meet the criteria for recognition under SFAS No. 116 or cannot be objectively measured. These donations, while not recognized in the financial statements, provide valuable resources to the Organization.

## NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

### 1 Summary of Significant Accounting Policies, Continued

***Property and Equipment:***

Property and equipment purchased by the Organization are carried at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Expenditures for maintenance and repairs are expensed as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of properties sold or otherwise disposed of are removed from the accounts and any gain or loss is reflected in the current year's activities.

	2005	2004
Land, buildings and improvements	\$ 1,862,859	\$ 300,609
Equipment	708,401	630,529
Office furniture	325,280	316,250
	2,896,540	1,247,388
Less accumulated depreciation	(843,186)	(700,680)
	\$ 2,053,354	\$ 546,708
Depreciation Expense (including capital leases)	\$ 142,508	\$ 141,955

The Organization primarily follows the straight-line method of depreciation utilizing the following lives:

Class	Years
Leasehold improvements	7 - 20
Equipment, etc.	5 - 7
Property under capital lease	5 - 7
Office furniture	5 - 10
Vehicles	3 - 5

***Functional Expense Allocations:***

Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expense, time spent by employees, and square footage of space used for various programs.

## NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

### 1 Summary of Significant Accounting Policies, Continued

#### *Income Taxes:*

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and operates as a public charity.

#### *Reclassifications:*

Certain prior year amounts have been reclassified to conform to the current year's presentation.

### 2 Custodial Account

The Organization maintains custodial accounts for persons who participate in the Representative Payee program funded through the U.S. Department of Housing and Urban Development. Cash in the custodial bank account is restricted for this purpose and, accordingly, has been excluded from cash in the Statement of Cash Flows.

### 3 Line-of-credit

The Organization has a line-of-credit which allows for borrowings up to \$500,000. The line is secured by substantially all of the Organization's assets. The line-of-credit bears interest at .5% over prime (6.75% at year-end).

Amounts outstanding under this agreement were \$200,000 and \$175,000 at June 30, 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

4 Notes Payable

	<u>Current Portion</u>	<u>Total</u>	
	<u>2005</u>	<u>2005</u>	<u>2004</u>
Notes Payable:			
Mortgage loan due in monthly installments of \$2,584 plus interest at 4% through December 2007.	\$ 28,575	\$ 73,635	\$ -
Mortgage loan due in monthly installments of \$,369 plus interest at 4% through December 2010.	13,433	80,982	-
Mortgage loan due in monthly installments of interest only at prime (6.25% at year-end) through March 30, 2006. The loan is secured by the property and equipment purchased and rehabilitated with the proceeds.	<u>1,000,000</u>	<u>1,000,000</u>	-
	1,042,008	1,154,617	-
Capital Leases:			
Capital lease obligation on computer equipment, payable in monthly installments of \$2,099 including interest at approximately 11.8% per annum, through November 2004.	-	-	4,137
Capital lease obligation on telephone equipment, payable in monthly installments of \$960 including interest at approximately 11.9% per annum, through April 2007.	<u>10,001</u>	<u>17,351</u>	<u>26,244</u>
	<u>\$ 1,052,009</u>	<u>\$ 1,171,968</u>	<u>\$ 30,381</u>

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

4 Notes Payable, Continued

Maturities of long-term debt are as follows:

Year Ending	Capital Lease Obligations				
	Total Minimum Lease Payment	Less Amount Representing Interest	Present Value of Minimum Lease Obligation	Other Long-term Debt	Total Principal Payments
2006	\$ 11,519	\$ 1,518	\$ 10,001	\$ 1,042,008	\$ 1,052,009
2007	7,680	330	7,350	43,719	51,069
2008	-	-	-	29,870	29,870
2009	-	-	-	15,142	15,142
2010	-	-	-	15,759	15,759
Thereafter	-	-	-	8,119	8,119
Total	<u>\$ 19,199</u>	<u>\$ 1,848</u>	<u>\$ 17,351</u>	<u>\$ 1,154,617</u>	<u>\$ 1,171,968</u>

Information pertaining to assets and related accumulated depreciation in the balance sheet for capital lease items is as follows:

	2005	2004
Cost	\$ 138,097	\$ 138,097
Accumulated depreciation	<u>89,952</u>	<u>76,408</u>
Net Book Value	<u>\$ 48,145</u>	<u>\$ 61,689</u>

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

**5 Operating Leases**

The Organization has multiple lease agreements involving facilities. In addition, the Organization maintains operating leases for various office equipment. The leases expire periodically through the year 2010.

Rent expense was \$489,419 (2005) and \$448,826 (2004).

Minimum lease payments due under the operating lease obligations are due as follows:

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2006	\$ 200,098	\$ 42,295	\$ 242,393
2007	4,170	36,401	40,571
2008	-	20,026	20,026
2009	-	8,569	8,569
2010	-	7,745	7,745
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 204,268</u>	<u>\$ 115,036</u>	<u>\$ 319,304</u>

**6 Retirement Plan**

The Organization has a 403(b) Deferred Compensation Plan covering substantially all employees. Organization contributions to the Plan are at the discretion of the Organization. The Organization currently contributes an amount equal to 2% of each employee's compensation.

Organization contributions to this Plan amounted to \$53,409 (2005) and \$78,512 (2004).

**7 Subsequent Event**

The Organization received a conditional grant in the amount of \$500,000. The conditions had not been met at year-end. Therefore, in accordance with SFAS No. 116, the grant has not been reflected in revenue.

MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC.

OMB CIRCULAR A-133 AUDIT REQUIREMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Mental Health Services For Homeless Persons, Inc.

For the Year Ended June 30, 2005

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	CFDA #	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)/		
Cuyahoga County Supportive Housing Program		
Safe Haven I	*	14.235
		\$ 260,741
Safe Haven II	*	14.235
		454,154
Safe Haven III	*	14.235
		451,126
Drop-In Center	*	14.235
		227,982
Transitional Youth	*	14.235
		276,950
Outreach/Payee	*	14.235
		421,668
Permanent Housing Program	*	14.235
		21,897
Permanent Housing Disabled Persons	*	14.235
		220,146
Community Women's Shelter	*	14.235
		37,174
Total CFDA #14.235		<u>2,371,838</u>
City of Cleveland Dept of Community Development		
Emergency Shelter Grant Program		
Housing Coordinator	14.231	22,391
Emergency Housing	14.231	205,853
Total CFDA #14.231		<u>228,244</u>
Total HUD		2,600,082
U.S. Department of Health and Human Services (HHS)/		
Cuyahoga County Community Mental Health Board		
Medical Assistance Program		
Title XIX	*	93.778
		819,013
PATH	93.150	229,190
Cuyahoga Community Practice Center		
Substance Abuse and Mental Health Services Administration	*	93.230
		435,927
Total HHS		1,484,130
U.S. Department of Homeland Security		
FEMA	97.024	48,890
Total Expenditures of Federal Awards		<u>\$ 4,133,102</u>

\* Major Program

# Meaden & Moore

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Mental Health Services For Homeless Persons, Inc.  
Cleveland, Ohio

We have audited the financial statements of Mental Health Services For Homeless Persons, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. 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.

### Compliance

As part of obtaining reasonable assurance about whether Mental Health Services For Homeless Persons, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Mental Health Services For Homeless Persons, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Meaden & Moore, LTD.*

MEADEN & MOORE, LTD.  
Certified Public Accountants

August 19, 2005  
Cleveland, Ohio



**Meaden & Moore, Ltd.**  
(A Meaden & Moore Company)

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

Board of Trustees  
Mental Health Services For Homeless Persons, Inc.  
Cleveland, Ohio

Compliance

We have audited the compliance of Mental Health Services For Homeless Persons, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2005. Mental Health Services For Homeless Persons, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mental Health Services For Homeless Persons, Inc.'s management. Our responsibility is to express an opinion on Mental Health Services For Homeless Persons, Inc.'s compliance based on our audit.

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

In our opinion, Mental Health Services For Homeless Persons, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.



**Meaden & Moore, Ltd.**

*(A Meaden & Moore Company)*

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Akron Charlotte Chicago Cleveland Columbus Naperville New York Orlando Phoenix Pittsburgh Wooster

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

Internal Control Over Compliance

The management of Mental Health Services For Homeless Persons, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mental Health Services For Homeless Persons, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Meaden & Moore, LTD.*

MEADEN & MOORE, LTD.  
Certified Public Accountants

August 19, 2005  
Cleveland, Ohio

# Meaden & Moore

## REPORT ON COMPLIANCE WITH OHIO DEPARTMENT OF MENTAL HEALTH REQUIREMENTS

Board of Trustees  
Mental Health Services For Homeless Persons, Inc.  
Cleveland, Ohio

We have audited the basic financial statements of Mental Health Services for Homeless Persons, Inc. as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005.

We have applied procedures to test Mental Health Services for Homeless Persons, Inc.'s compliance with the following requirements as applicable to its federal and state award programs, as defined in the Ohio Department of Mental Health Financial and Compliance Audit Guidelines (effective April 2000):

**Community Mental Health Medicaid Program:**

- General Medicaid Agreement Issues
- Eligible Providers
- Eligible Clients
- Billing and Service Documentation
- Testing of Billing Documents and Service Documentation
- Auditing the Cost Reports
- Record Retention
- Availability of Sufficient Public Matching Funds

**Additional Ohio Department of Mental Health Requirements:**

- Uniform Financial Management System
- Assets Purchased with Federal and State Funds

Our procedures were limited to the applicable procedures described in the Financial and Compliance Audit Guidelines, issued by the Ohio Department of Mental Health. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Mental Health Services For Homeless Persons, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such as opinion.

With respect to items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Mental Health Services For Homeless Persons, Inc. had not complied, in all material respects, with those requirements.



**Meaden & Moore, Ltd.**

*(A Meaden & Moore Company)*

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Akron Charlotte Chicago Cleveland Columbus Naperville New York Orlando Phoenix Pittsburgh Wooster

**REPORT ON COMPLIANCE WITH OHIO DEPARTMENT  
OF MENTAL HEALTH REQUIREMENTS**

This report is intended solely for the information and use of the audit committee, management, others within the organization and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Meaden & Moore, LTD.*

MEADEN & MOORE, LTD.  
Certified Public Accountants

August 19, 2005  
Cleveland, Ohio

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30, 2005

### Summary of Audit Results:

- 1 The auditor's report expresses an unqualified opinion on the financial statements of Mental Health Services For Homeless Persons, Inc.
- 2 No reportable conditions relating to the audit of financial statements are reported in the management letter.
- 3 No instances of noncompliance material to the financial statements of Mental Health Services For Homeless Persons, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- 4 No reportable conditions relating to the audit of internal control over major federal award programs are reported in the management letter.
- 5 The auditor's report on compliance for the major federal award programs for Mental Health Services For Homeless Persons, Inc. expresses an unqualified opinion on all major federal programs.
- 6 There are no audit findings relative to the major federal award programs for Mental Health Services For Homeless Persons, Inc.
- 7 The programs tested as major programs included:
  - Supportive Housing Program - CFDA #14.235.
  - Medical Assistance Program - CFDA #93.778
- 8 The threshold for distinguishing Types A and B programs is \$300,000.
- 9 Mental Health Services For Homeless Persons, Inc. qualifies as a low-risk auditee.