

MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors

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

We have audited the accompanying statement of financial position of MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC. as of June 30, 2006 and 2005, 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, 2006 and 2005, 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 September 11, 2006, 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

September 11, 2006
Cleveland, Ohio



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

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

STATEMENT OF FINANCIAL POSITION

Mental Health Services For Homeless Persons, Inc.

	June 30	
ASSETS:	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 538,894	\$ 229,036
Custodial cash	142,355	120,724
Accounts receivable	2,461,239	1,642,400
Prepaid expenses	24,417	12,330
Property and equipment -net	3,836,922	2,053,354
Deposits	<u>26,460</u>	<u>23,760</u>
 Total Assets	 <u>\$ 7,030,287</u>	 <u>\$ 4,081,604</u>
 LIABILITIES:		
Line-of-credit	\$ 150,000	\$ 200,000
Accounts payable	444,187	424,271
Custodial accounts	142,355	120,724
Accrued expenses	700,092	637,162
Deferred revenue	355,873	347,723
Long-term debt	<u>2,395,448</u>	<u>1,171,968</u>
 Total Liabilities	 4,187,955	 2,901,848
 NET ASSETS	 <u>2,842,332</u>	 <u>1,179,756</u>
 Total Liabilities and Net Assets	 <u>\$ 7,030,287</u>	 <u>\$ 4,081,604</u>

See accompanying notes.

STATEMENT OF CHANGES IN NET ASSETS

Mental Health Services For Homeless Persons, Inc.

Years Ended June 30, 2006 and 2005

Net Assets - June 30, 2004	\$ 1,041,374
Changes in net assets - 2005	<u>138,382</u>
Net Assets - June 30, 2005	1,179,756
Changes in net assets - 2006	<u>1,662,576</u>
Net Assets - June 30, 2006	<u>\$ 2,842,332</u>

See accompanying notes.

STATEMENT OF ACTIVITIES

Mental Health Services For Homeless Persons, Inc.

SUPPORT AND REVENUE:	Year Ended June 30	
	2006	2005
Contributions and grants	\$ 1,502,201	\$ 143,237
Government grants	9,192,229	7,804,673
Medicaid	1,344,708	1,372,340
Program fees	933,724	942,822
Investment income	7,586	-
Other income	111,829	83,905
Total Support and Revenue	13,092,277	10,346,977
EXPENSES:		
Program Services:		
Outreach	910,514	885,330
Shelter	2,410,800	2,189,453
Community Support	1,090,732	967,118
Housing	2,193,867	1,762,459
Crisis	3,325,289	2,900,365
Total Program Services	9,931,202	8,704,725
General and administrative	1,475,240	1,481,347
Fundraising and development	23,259	22,523
Total Expenses	11,429,701	10,208,595
Change in Net Assets	\$ 1,662,576	\$ 138,382

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30

	2006								
	Outreach	Shelter	Community Support	Housing	Crisis	Total Program	General & Administrative	Fundraising & Development	Total
Personnel costs	\$ 629,720	\$ 1,661,416	\$ 813,973	\$ 1,536,959	\$ 2,634,643	\$ 7,276,711	\$ 1,043,925	\$ -	\$ 8,320,636
Professional and contract services	98,934	360,170	63,156	165,492	258,545	946,297	129,212	-	1,075,509
Program costs	29,388	202,424	-	75,664	71,870	379,346	6,589	23,259	409,194
Occupancy	120,910	134,060	164,337	343,925	245,035	1,008,267	143,822	-	1,152,089
Office expenses	10,053	26,056	14,554	23,893	34,597	109,153	85,771	-	194,924
Staff development	17,216	17,276	34,517	34,275	71,688	174,972	23,834	-	198,806
Other expense	4,293	9,398	195	13,659	8,911	36,456	42,087	-	78,543
Total Expense	\$ 910,514	\$ 2,410,800	\$ 1,090,732	\$ 2,193,867	\$ 3,325,289	\$ 9,931,202	\$ 1,475,240	\$ 23,259	\$ 11,429,701

	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
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
Total Expense	\$ 885,330	\$ 2,189,453	\$ 967,118	\$ 1,762,459	\$ 2,900,365	\$ 8,704,725	\$ 1,481,347	\$ 22,523	\$ 10,208,595

See accompanying notes.

STATEMENT OF CASH FLOWS

Mental Health Services For Homeless Persons, Inc.

	Year Ended June 30	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from support and revenue	\$ 12,232,002	\$ 10,428,451
Interest received	7,586	-
Cash paid to suppliers and employees	(11,207,968)	(9,773,483)
Interest paid	(10,672)	(9,101)
	1,020,948	645,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(606,382)	(474,154)
Deposits	(2,700)	(1,100)
	(609,082)	(475,254)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(52,008)	(33,413)
Net borrowings (repayments) on line-of-credit	(50,000)	25,000
	(102,008)	(8,413)
Increase (Decrease) in Cash and Cash Equivalents	309,858	162,200
Cash and Cash Equivalents - Beginning of the Year	229,036	66,836
Cash and Cash Equivalents - End of the Year	\$ 538,894	\$ 229,036

See accompanying notes.

	Year Ended June 30	
	<u>2006</u>	<u>2005</u>
RECONCILIATION OF NET INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,662,576	\$ 138,382
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	140,302	142,508
Donated assets	(42,000)	-
Increase (Decrease) in Cash from Changes in:		
Accounts receivable - trade	(818,839)	(108,001)
Prepaid expenses	(12,087)	2,780
Accounts payable	19,916	190,626
Accrued expenses	62,930	90,097
Deferred revenue	8,150	189,475
	<u>(641,628)</u>	<u>507,485</u>
 Total Adjustments	 <u>(641,628)</u>	 <u>507,485</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>\$ 1,020,948</u>	 <u>\$ 645,867</u>
 Supplemental Schedule of Noncash Investing		
and Financing Activities:		
Assets acquired by debt	\$ 1,275,488	\$ 1,175,000
Donated assets	42,000	-
Total Noncash activities	<u>\$ 1,317,488</u>	<u>\$ 1,175,000</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.

Shelter - provides emergency shelters for women and disabled men. The women's emergency shelter operates one hundred and thirty-four 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.

	<u>2006</u>	<u>2005</u>
Land, buildings and improvements	\$ 3,720,145	\$ 1,862,859
Equipment	732,985	708,401
Office furniture	<u>367,280</u>	<u>325,280</u>
	4,820,410	2,896,540
Less accumulated depreciation	<u>(983,488)</u>	<u>(843,186)</u>
	<u>\$ 3,836,922</u>	<u>\$ 2,053,354</u>
Depreciation Expense (including capital leases)	<u>\$ 140,302</u>	<u>\$ 142,508</u>

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

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

The Organization received donated furniture from a donor during the year. The total value of the equipment was estimated to be \$42,000 and was recorded in the statement of activities as a contribution.

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

1 Summary of Significant Accounting Policies, Continued

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.

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.

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 (8.25% at year-end).

Amounts outstanding under this agreement were \$150,000 and \$200,000 at June 30, 2006 and 2005, respectively.

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

4 Notes Payable

	<u>Current Portion</u>	<u>Total</u>	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
Notes Payable:			
Mortgage loan due in monthly installments of \$2,584 including interest at 4% through December 2007.	\$ 29,739	\$ 45,060	\$ 73,635
Mortgage loan due in monthly installments of \$1,369 including interest at 4% through December 2010.	13,980	67,549	80,982
Mortgage loan due in monthly installments of interest only at prime (6.25% at 6/30/05) through March 30, 2006. The loan is secured by the property and equipment purchased and rehabilitated with the proceeds. The loan was refinanced as part of the construction loan below.	-	-	1,000,000
Construction loan due in monthly installments of interest only at prime (8.25% at year end) less 0.75%. Principal payments will begin once the property is complete and payment terms will be set at that time. The loan is secured by the property and equipment purchased and rehabilitated with the proceeds. Maximum borrowing on this loan is \$4,200,000.	<u>2,275,489</u>	<u>2,275,489</u>	<u>-</u>
	<u>2,319,208</u>	<u>2,388,098</u>	1,154,617
Capital Leases:			
Capital lease obligation on telephone equipment, payable in monthly installments of \$960 including interest at approximately 11.9% per annum through April 2007.	<u>7,350</u>	<u>7,350</u>	17,351
	<u>7,350</u>	<u>7,350</u>	17,351
	<u>\$ 2,326,558</u>	<u>\$ 2,395,448</u>	<u>\$ 1,171,968</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
2007	\$ 7,680	\$ 330	\$ 7,350	\$ 2,319,208	\$ 2,326,558
2008	-	-	-	29,870	29,870
2009	-	-	-	15,142	15,142
2010	-	-	-	15,759	15,759
2011	-	-	-	8,119	8,119
Total	<u>\$ 7,680</u>	<u>\$ 330</u>	<u>\$ 7,350</u>	<u>\$ 2,388,098</u>	<u>\$ 2,395,448</u>

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

	<u>2006</u>	<u>2005</u>
Cost	\$ 43,290	\$ 138,097
Accumulated depreciation	<u>28,729</u>	<u>89,952</u>
Net Book Value	<u>\$ 14,561</u>	<u>\$ 48,145</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 \$514,982 (2006) and \$489,419 (2005).

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

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2007	\$ 177,215	\$ 38,718	\$ 215,933
2008	-	22,300	22,300
2009	-	8,569	8,569
2010	-	7,502	7,502
Total	<u>\$ 177,215</u>	<u>\$ 77,089</u>	<u>\$ 254,304</u>

6 Temporarily Restricted Net Assets

The Organization received \$1,200,000 in contributions from various donors to be used for capital expenditures. These contributions were satisfied through capital expenditures during the current year. The policy of the Organization is to recognize contributions whose restrictions are met during the same year as unrestricted.

7 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 \$115,173 (2006) and \$53,409 (2005).

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, 2006

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	\$ 278,131
Safe Haven II	* 14.235	446,969
Safe Haven III	* 14.235	474,950
Drop-In Center	* 14.235	207,223
Transitional Youth	* 14.235	294,526
Outreach/Payee	* 14.235	394,532
Permanent Housing Program	* 14.235	335,849
Permanent Housing Disabled Persons	* 14.235	263,132
Total CFDA #14.235		2,695,312
City of Cleveland Dept of Community Development Emergency Shelter Grant Program		
Housing Coordinator	14.231	22,057
Emergency Housing	14.231	195,100
Emergency Housing Women's Shelter	14.231	366,437
Total CFDA #14.231		583,594
Total HUD		3,278,906
U.S. Department of Health and Human Services (HHS)/ Cuyahoga County Community Mental Health Board Medical Assistance Program		
Title XIX	* 93.778	823,185
PATH	93.150	234,015
Cuyahoga Community Practice Center Substance Abuse and Mental Health Services Administration		
	93.230	110,445
Total HHS		1,167,645
U.S. Department of Homeland Security FEMA		
	97.024	36,244
Total Expenditures of Federal Awards		\$ 4,482,795

* Major Program



**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 non-for-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 11, 2006. 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 operations 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

September 11, 2006
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. 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, 2006. 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 on 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, 2006.



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**

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

September 11, 2006
Cleveland, Ohio



**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, 2006, and have issued our report thereon dated September 11, 2006.

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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**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.

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Certified Public Accountants

September 11, 2006
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30, 2006

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.