

MENTAL HEALTH SERVICES FOR HOMELESS PERSONS, INC.

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

June 30, 2007

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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, 2007 and 2006, 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, 2007 and 2006, 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 October 30, 2007, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. 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.  
Certified Public Accountants

October 30, 2007  
Cleveland, Ohio

STATEMENT OF FINANCIAL POSITION

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30

	<b>2007</b>		
	Unrestricted	Temporarily Restricted	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 460,075	\$ -	\$ 460,075
Custodial cash	188,373	-	188,373
Accounts and grants receivable	2,423,604	213,346	2,636,950
Prepaid expenses	5,864	-	5,864
Property and equipment -net	6,813,760	-	6,813,760
Deposits	26,460	-	26,460
	<u>9,918,136</u>	<u>213,346</u>	<u>10,131,482</u>
Total Assets	\$ 9,918,136	\$ 213,346	\$ 10,131,482
<b>LIABILITIES:</b>			
Line-of-credit	\$ 250,000	\$ -	\$ 250,000
Accounts payable	352,582	-	352,582
Custodial accounts	188,373	-	188,373
Accrued expenses	931,838	-	931,838
Deferred revenue	355,194	-	355,194
Long-term debt	4,176,894	-	4,176,894
	<u>6,254,881</u>	<u>-</u>	<u>6,254,881</u>
Total Liabilities	6,254,881	-	6,254,881
<b>NET ASSETS</b>	<u>3,663,255</u>	<u>213,346</u>	<u>3,876,601</u>
Total Liabilities and Net Assets	<u>\$ 9,918,136</u>	<u>\$ 213,346</u>	<u>\$ 10,131,482</u>

See accompanying notes

2006

Unrestricted	Temporarily Restricted	Total
\$ 538,894	\$ -	\$ 538,894
142,355	-	142,355
2,461,239	-	2,461,239
24,417	-	24,417
3,836,922	-	3,836,922
<u>26,460</u>	<u>-</u>	<u>26,460</u>
<u>\$ 7,030,287</u>	<u>\$ -</u>	<u>\$ 7,030,287</u>
\$ 150,000	\$ -	\$ 150,000
444,187	-	444,187
142,355	-	142,355
700,092	-	700,092
355,873	-	355,873
<u>2,395,448</u>	<u>-</u>	<u>2,395,448</u>
4,187,955	-	4,187,955
<u>2,842,332</u>	<u>-</u>	<u>2,842,332</u>
<u>\$ 7,030,287</u>	<u>\$ -</u>	<u>\$ 7,030,287</u>

STATEMENT OF CHANGES IN NET ASSETS

Mental Health Services For Homeless Persons, Inc.

Years Ended June 30, 2007 and 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - June 30, 2005	\$ 1,179,756	\$ -	\$ 1,179,756
Changes in net assets - 2006	<u>1,662,576</u>	<u>-</u>	<u>1,662,576</u>
Net Assets - June 30, 2006	2,842,332	-	2,842,332
Changes in net assets - 2007	<u>820,923</u>	<u>213,346</u>	<u>1,034,269</u>
Net Assets - June 30, 2007	<u>\$ 3,663,255</u>	<u>\$ 213,346</u>	<u>\$ 3,876,601</u>

*See accompanying notes.*

## STATEMENT OF ACTIVITIES

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30

	<b>2007</b>		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>			
Contributions and grants	\$ 733,105	\$ -	\$ 733,105
Government grants	9,548,596	213,346	9,761,942
Medicaid	1,473,101	-	1,473,101
Program fees	1,146,256	-	1,146,256
Investment income	17,590	-	17,590
Other income	21,818	-	21,818
Total Support and Revenue	12,940,466	213,346	13,153,812
<b>EXPENSES:</b>			
Program Services:			
Outreach	1,203,039	-	1,203,039
Shelter	2,472,003	-	2,472,003
Community Support	1,191,382	-	1,191,382
Housing	2,578,135	-	2,578,135
Crisis	3,113,713	-	3,113,713
Total Program Services	10,558,272	-	10,558,272
General and administrative	1,543,077	-	1,543,077
Fundraising and development	18,194	-	18,194
Total Expenses	12,119,543	-	12,119,543
Change in Net Assets	<u>\$ 820,923</u>	<u>\$ 213,346</u>	<u>\$ 1,034,269</u>

*See accompanying notes*

2006

Unrestricted	Temporarily Restricted	Total
\$ 1,502,201	\$ -	\$ 1,502,201
9,192,229	-	9,192,229
1,344,708	-	1,344,708
933,724	-	933,724
7,586	-	7,586
<u>111,829</u>	<u>-</u>	<u>111,829</u>
13,092,277	-	13,092,277
910,514	-	910,514
2,410,800	-	2,410,800
1,090,732	-	1,090,732
2,193,867	-	2,193,867
<u>3,325,289</u>	<u>-</u>	<u>3,325,289</u>
9,931,202	-	9,931,202
1,475,240	-	1,475,240
<u>23,259</u>	<u>-</u>	<u>23,259</u>
<u>11,429,701</u>	<u>-</u>	<u>11,429,701</u>
<u>\$ 1,662,576</u>	<u>\$ -</u>	<u>\$ 1,662,576</u>

STATEMENT OF FUNCTIONAL EXPENSES

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30

	<b>2007</b>								
	<u>Outreach</u>	<u>Shelter</u>	<u>Community Support</u>	<u>Housing</u>	<u>Crisis</u>	<u>Total Program</u>	<u>General &amp; Administrative</u>	<u>Fundraising &amp; Development</u>	<u>Total</u>
Personnel costs	\$ 873,005	\$ 1,697,082	\$ 945,838	\$ 1,870,791	\$ 2,567,572	\$ 7,954,288	\$ 1,103,059	\$ -	\$ <b>9,057,347</b>
Professional and contract services	89,425	373,630	54,753	172,564	186,471	876,843	94,246	-	<b>971,089</b>
Program costs	84,753	206,542	15,827	78,992	36,646	422,760	-	18,194	<b>440,954</b>
Occupancy	117,241	150,110	98,371	372,452	236,285	974,459	156,063	-	<b>1,130,522</b>
Office expenses	11,597	23,404	17,928	18,627	22,623	94,179	83,022	-	<b>177,201</b>
Staff development	21,558	10,841	49,360	45,242	48,042	175,043	11,442	-	<b>186,485</b>
Other expense	5,460	10,394	9,305	19,467	16,074	60,700	95,245	-	<b>155,945</b>
<b>Total Expense</b>	<b>\$ 1,203,039</b>	<b>\$ 2,472,003</b>	<b>\$ 1,191,382</b>	<b>\$ 2,578,135</b>	<b>\$ 3,113,713</b>	<b>\$ 10,558,272</b>	<b>\$ 1,543,077</b>	<b>\$ 18,194</b>	<b>\$ 12,119,543</b>

  

	<b>2006</b>								
	<u>Outreach</u>	<u>Shelter</u>	<u>Community Support</u>	<u>Housing</u>	<u>Crisis</u>	<u>Total Program</u>	<u>General &amp; Administrative</u>	<u>Fundraising &amp; Development</u>	<u>Total</u>
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
<b>Total Expense</b>	<b>\$ 910,514</b>	<b>\$ 2,410,800</b>	<b>\$ 1,090,732</b>	<b>\$ 2,193,867</b>	<b>\$ 3,325,289</b>	<b>\$ 9,931,202</b>	<b>\$ 1,475,240</b>	<b>\$ 23,259</b>	<b>\$ 11,429,701</b>

See accompanying notes.

## STATEMENT OF CASH FLOWS

Mental Health Services For Homeless Persons, Inc.

	Year Ended June 30	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from support and revenue	\$ 12,959,832	\$ 12,232,002
Interest received	17,590	7,586
Cash paid to suppliers and employees	(11,750,106)	(11,207,968)
Interest paid	<u>(58,352)</u>	<u>(10,672)</u>
Net Cash Provided by Operating Activities	<b>1,168,964</b>	1,020,948
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(1,296,713)	(606,382)
Deposits	<u>-</u>	<u>(2,700)</u>
Net Cash Used in Investing Activities	<b>(1,296,713)</b>	(609,082)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of long-term debt	(51,070)	(52,008)
Net borrowings (repayments) on line-of-credit	<u>100,000</u>	<u>(50,000)</u>
Net Cash Provided by (Used in) Financing Activities	<b>48,930</b>	<u>(102,008)</u>
Increase (Decrease) in Cash and Cash Equivalents	<b>(78,819)</b>	309,858
Cash and Cash Equivalents - Beginning of the Year	<u>538,894</u>	<u>229,036</u>
Cash and Cash Equivalents - End of the Year	<b><u>\$ 460,075</u></b>	<b><u>\$ 538,894</u></b>

*See accompanying notes.*

	Year Ended June 30	
	<u>2007</u>	<u>2006</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in Net Assets	<b>\$ 1,034,269</b>	\$ 1,662,576
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	<b>152,391</b>	140,302
Donated assets	-	(42,000)
Increase (Decrease) in Cash from Changes in:		
Accounts receivable	<b>(175,711)</b>	(818,839)
Prepaid expenses	<b>18,553</b>	(12,087)
Accounts payable	<b>(91,605)</b>	19,916
Accrued expenses	<b>231,746</b>	62,930
Deferred revenue	<b>(679)</b>	8,150
	<u>134,695</u>	<u>(641,628)</u>
<b>Total Adjustments</b>	<b><u>134,695</u></b>	<b><u>(641,628)</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 1,168,964</u></b>	<b><u>\$ 1,020,948</u></b>
 <b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>		
Assets acquired by debt	<b>\$ 1,832,516</b>	\$ 1,275,488
Donated assets	<u>-</u>	<u>42,000</u>
<b>Total Noncash Activities</b>	<b><u>\$ 1,832,516</u></b>	<b><u>\$ 1,317,488</u></b>

## 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>2007</u>	<u>2006</u>
Land, buildings and improvements	\$ 6,551,987	\$ 3,720,145
Equipment	770,216	732,985
Office furniture	599,260	367,280
Vehicles	28,176	-
	<u>7,949,639</u>	<u>4,820,410</u>
Less accumulated depreciation	<u>(1,135,879)</u>	<u>(983,488)</u>
	<u>\$ 6,813,760</u>	<u>\$ 3,836,922</u>
Depreciation Expense (including capital leases)	<u>\$ 152,391</u>	<u>\$ 140,302</u>

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

<u>Class</u>	<u>Years</u>
Buildings	40 - 50
Leasehold improvements	7 - 20
Equipment, etc.	5 - 7
Property under capital lease	5 - 7
Office furniture	5 - 10
Vehicles	3 - 5

In 2006, the Organization received donated furniture from a donor. 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 \$1,000,000. 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 \$250,000 and \$150,000 at June 30, 2007 and 2006, respectively.

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

4 Notes Payable

	<u>Current Portion</u>	<u>Total</u>	
	<u>2007</u>	<u>2007</u>	<u>2006</u>
Notes Payable:			
Mortgage loan due in monthly installments of \$2,584 including interest at 4% through December 2007.	\$ 15,321	\$ 15,321	\$ 45,060
Mortgage loan due in monthly installments of \$1,369 including interest at 4% through December 2010.	14,549	53,570	67,549
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>4,108,003</u>	<u>4,108,003</u>	<u>2,275,489</u>
	<u>4,137,873</u>	<u>4,176,894</u>	2,388,098
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.	-	-	7,350
	<u>\$ 4,137,873</u>	<u>\$ 4,176,894</u>	<u>\$ 2,395,448</u>

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

**4 Notes Payable, Continued**

Maturities of long-term debt are as follows:

	<u>Year Ending</u>	
	2008	\$ 4,137,873
	2009	15,142
	2010	15,759
	2011	8,120
	2012	<u>-</u>
Total		<u>\$ 4,176,894</u>

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

	<u>2007</u>	<u>2006</u>
Cost	\$ <b>43,290</b>	\$ 43,290
Accumulated depreciation	<u><b>34,014</b></u>	<u>28,729</u>
Net Book Value	<u><b>\$ 9,276</b></u>	<u>\$ 14,561</u>

The Organization capitalized interest during the construction period of the building in the amount of \$223,866.

## 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 2012.

Rent expense was \$502,217 (2007) and \$514,982 (2006).

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

	<u>Real Estate</u>	<u>Equipment</u>	<u>Total</u>
2008	\$ 288,153	\$ 54,270	\$ 342,423
2009	67,722	37,852	105,574
2010	-	23,499	23,499
2011	-	22,130	22,130
2012	-	1,219	1,219
Total	<u>\$ 355,875</u>	<u>\$ 138,970</u>	<u>\$ 494,845</u>

#### 6 Temporarily Restricted Net Assets

The Organization received \$398,346 (2007) and \$1,200,000 (2006) in contributions from various donors to be used for capital expenditures. Some of 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.

Temporarily restricted net assets are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the Organization. Temporarily restricted gifts, grants and bequests are recorded as an addition to temporarily restricted net assets in the period received. Resources restricted by donors or grantors for specific operating purposes are reported in unrestricted revenue and other support to the extent expended within the period.

NOTES TO FINANCIAL STATEMENTS

Mental Health Services For Homeless Persons, Inc.

**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 \$87,263 (2007) and \$115,173 (2006).

**8 Subsequent Event**

The Organization received a new grant in the amount of \$400,000 subsequent to year-end. The period of the grant will begin in 2008.

**9 Grants Receivable**

Outstanding grants receivable from various foundations at June 30 are as follows:

	<u>2007</u>	<u>2006</u>
Pledges Due:		
In one year	\$ 250,000	\$ -
In two years	100,000	-
In three years	100,000	-
In four years	<u>100,000</u>	<u>-</u>
Total	550,000	-
Less net present value discount	<u>(80,639)</u>	<u>-</u>
Total	<u>\$ 469,361</u>	<u>\$ -</u>

**10 Litigation**

The Organization is in dispute with the general contractor for the building. As a result of this dispute, the contractor has placed a lien against the recently renovated building. The Organization carries insurance and in management's opinion the resolution of these matters will not have a material adverse effect on the Organization.

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, 2007

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	<u>CFDA #</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)/		
Cuyahoga County Supportive Housing Program		
Safe Haven I	14.235	\$ 282,768
Safe Haven II	14.235	470,894
Safe Haven III	14.235	473,183
Drop-In Center	14.235	267,629
Transitional Youth	14.235	265,378
Outreach/Payee	14.235	463,339
Emerald Commons	14.235	77,376
PATH	14.235	49,980
Community Women's Shelter	14.235	39,032
Permanent Housing Program	14.235	468,482
Permanent Housing Disabled Persons	14.235	311,620
Total CFDA #14.235		<u>3,169,681</u>
City of Cleveland Dept of Community Development		
Emergency Shelter Grant Program		
Housing Coordinator	* 14.231	11,744
Emergency Housing	* 14.231	202,899
Emergency Housing Women's Shelter	* 14.231	363,163
Total CFDA #14.231		<u>577,806</u>
Total HUD		3,747,487
U.S. Department of Health and Human Services (HHS)/		
Cuyahoga County Community Mental Health Board		
Medical Assistance Program		
Title XIX	* 93.778	879,147
PATH	* 93.150	526,575
Cuyahoga Community Practice Center		
Substance Abuse and Mental Health Services Administration	93.230	<u>35,165</u>
Total HHS		1,440,887
U.S. Department of Homeland Security		
FEMA	97.024	<u>35,031</u>
Total Expenditures of Federal Awards		<u>\$ 5,223,405</u>

\* 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, 2007, and have issued our report thereon dated October 30, 2007. 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 (internal control) in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Our consideration of the internal control was for the limited purpose described and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We noted no matters involving the internal control that we consider to be significant deficiencies.

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.  
Certified Public Accountants

October 30, 2007  
Cleveland, Ohio

**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, 2007. 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, 2007.

**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 significant deficiencies. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be significant deficiencies.

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.  
Certified Public Accountants

October 30, 2007  
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, 2007, and have issued our report thereon dated October 30, 2007.

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.

**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.

A handwritten signature in cursive script that reads "Meaden & Moore Ltd".

MEADEN & MOORE, LTD.  
Certified Public Accountants

October 30, 2007  
Cleveland, Ohio

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Mental Health Services For Homeless Persons, Inc.

Year Ended June 30, 2007

### 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 significant deficiencies were disclosed during the audit of the financial statements.
- 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 significant deficiencies were disclosed during the audit of internal control over major federal award programs.
- 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:
  - Emergency Shelter Grant Program - CFDA #14.231
  - Medical Assistance Program - CFDA #93.778
  - Medical Assistance Program - CFDA #93.15
- 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.