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MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Financial Statements

Years Ended June 30, 2012 and 2011

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Financial Statements

June 30, 2012 and 2011

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Independent Auditors' Report

To the Board of Directors of
Massachusetts Coalition for the Homeless, Inc.
Lynn, Massachusetts

We have audited the accompanying statements of financial position of Massachusetts Coalition for the Homeless, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, 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 the 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 Massachusetts Coalition for the Homeless, Inc. as of June 30, 2012 and 2011, 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 reports dated October 21, 2012, on our consideration of Massachusetts Coalition for the Homeless, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



NE Kelly & Associates, LLC
Boston, Massachusetts
October 21, 2012

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Financial Position

As of June 30,

<i>Assets</i>	<u>2012</u>	<u>2011</u>
<i>Current assets:</i>		
Cash and cash equivalents	\$ 760,195	\$ 710,211
Contracts receivable	72,920	91,120
Investments	522,958	551,247
Prepaid expenses	<u>27,230</u>	<u>14,535</u>
<i>Total current assets</i>	1,383,303	1,367,113
Property and equipment, net	<u>1,374,833</u>	<u>1,411,446</u>
<i>Total assets</i>	<u>\$ 2,758,136</u>	<u>\$ 2,778,559</u>
<i>Liabilities and Net Assets</i>		
<i>Current liabilities:</i>		
Accounts payable and accrued expenses	\$ 24,547	\$ 15,000
Current portion of long-term debt	<u>41,786</u>	<u>39,359</u>
<i>Total current liabilities</i>	<u>66,333</u>	<u>54,359</u>
<i>Long-term liabilities:</i>		
Long-term debt, less current portion	<u>588,936</u>	<u>618,151</u>
<i>Total long-term liabilities</i>	<u>588,936</u>	<u>618,151</u>
<i>Total liabilities</i>	<u>655,269</u>	<u>672,510</u>
<i>Net assets:</i>		
Unrestricted	2,102,867	2,092,722
Temporarily restricted	<u>-</u>	<u>13,327</u>
<i>Total net assets</i>	<u>2,102,867</u>	<u>2,106,049</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,758,136</u>	<u>\$ 2,778,559</u>

The accompanying notes are an integral part of these financial statements

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Activities

For the Years Ended June 30,

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>
<i>Revenue and support:</i>						
Individual contributions	\$ 348,379	\$ -	\$ 348,379	\$ 288,741	\$ -	\$ 288,741
Corporate and foundation contributions	412,749		412,749	203,872	148,500	352,372
Contributed goods and services	2,232,311	-	2,232,311	2,342,727	-	2,342,727
Special events, net	214,636	-	214,636	161,456	-	161,456
Contract revenue	72,600	-	72,600	182,185	-	182,185
Investment income, net	(27,823)	-	(27,823)	121,614	-	121,614
Rental income	116,866	-	116,866	121,847	-	121,847
Other income	7,105	-	7,105	13,190	-	13,190
Net assets released from restrictions	<u>13,327</u>	<u>(13,327)</u>	<u>-</u>	<u>135,173</u>	<u>(135,173)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>3,390,150</u>	<u>(13,327)</u>	<u>3,376,823</u>	<u>3,570,805</u>	<u>13,327</u>	<u>3,584,132</u>
<i>Expenses:</i>						
Program services	3,181,092	-	3,181,092	3,237,937	-	3,237,937
Fundraising	43,046	-	43,046	94,630	-	94,630
Property	90,332	-	90,332	85,542	-	85,542
General and administration	<u>62,087</u>	<u>-</u>	<u>62,087</u>	<u>51,247</u>	<u>-</u>	<u>51,247</u>
<i>Total expenses</i>	<u>3,376,557</u>	<u>-</u>	<u>3,376,557</u>	<u>3,469,356</u>	<u>-</u>	<u>3,469,356</u>
<i>Changes in net assets</i>	13,593	(13,327)	266	101,449	13,327	114,776
<i>Net assets, beginning of the year</i>	2,092,722	13,327	2,106,049	2,003,755	-	2,003,755
<i>Prior period adjustments</i>	<u>(3,448)</u>	<u>-</u>	<u>(3,448)</u>	<u>(12,482)</u>	<u>-</u>	<u>(12,482)</u>
<i>Net assets, beginning of the year, as restated</i>	<u>2,089,274</u>	<u>13,327</u>	<u>2,102,601</u>	<u>1,991,273</u>	<u>-</u>	<u>1,991,273</u>
<i>Net assets, ending of the year</i>	<u>\$ 2,102,867</u>	<u>\$ -</u>	<u>\$ 2,102,867</u>	<u>\$ 2,092,722</u>	<u>\$ 13,327</u>	<u>\$ 2,106,049</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statements of Cash Flows

For the Years Ended June 30,

	<i>2012</i>	<i>2011</i>
<i>Cash flows from operating activities:</i>		
Changes in net assets	\$ 266	\$ 114,776
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	43,638	42,684
Realized and unrealized (gain)/loss on investments	28,677	(120,426)
Prior period adjustments	(3,448)	(12,482)
Change in:		
Contracts receivable	18,200	(28,499)
Prepaid expenses	(12,695)	5,970
Accounts payable and accrued expenses	9,547	983
<i>Net cash provided by operating activities</i>	<u>84,185</u>	<u>3,006</u>
<i>Cash flows from investing activities:</i>		
Purchase of property and equipment	(7,025)	(134,400)
Purchase of investments	(7,865)	(82,509)
Proceeds from sales of investments	7,477	81,920
<i>Net cash used in investing activities</i>	<u>(7,413)</u>	<u>(134,989)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from long-term debt	-	128,500
Payments on long-term debt	(26,788)	(27,786)
<i>Net cash provided by (used in) financing activities</i>	<u>(26,788)</u>	<u>100,714</u>
<i>Net change in cash and cash equivalents</i>	49,984	(31,269)
<i>Cash and cash equivalents, beginning</i>	<u>710,211</u>	<u>741,480</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 760,195</u>	<u>\$ 710,211</u>
<i>Supplementary information:</i>		
Cash paid for interest	<u>\$ 39,283</u>	<u>\$ 39,535</u>
<i>Noncash investing and financing transactions:</i>		
Donated household necessities	<u>\$ 2,232,311</u>	<u>\$ 2,342,727</u>

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2012

	<i>Program Services</i>				<i>Fundraising</i>	<i>Property</i>	<i>General and Administration</i>	<i>Total</i>
	<i>Education</i>	<i>Furniture Bank</i>	<i>HomeLink Initiative</i>	<i>Total Program Services</i>				
Salaries	\$ 133,967	\$ 191,256	\$ 250,780	\$ 576,003	\$ 19,096	\$ -	\$ 7,473	\$ 602,572
Payroll taxes	11,209	16,932	22,418	50,559	1,616	-	609	52,784
Employee benefits	15,918	32,628	43,694	92,240	14	-	2,312	94,566
Subtotal	161,094	240,816	316,892	718,802	20,726	-	10,394	749,922
In-kind donations	-	2,232,311	-	2,232,311	-	-	-	2,232,311
Contract labor	17,940	28,515	1,647	48,102	11,521	-	-	59,623
Depreciation	872	21,819	437	23,128	437	10,910	9,163	43,638
Equipment rental and maintenance	681	10,214	1,116	12,011	143	255	205	12,614
Insurance	9,057	10,654	7,601	27,312	267	2,534	234	30,347
Miscellaneous	-	360	181	541	-	-	8,637	9,178
Occupancy	132	3,980	11,076	15,188	-	32,220	-	47,408
Interest	-	-	-	-	-	39,283	-	39,283
Postage	550	200	4,963	5,713	2,185	54	-	7,952
Printing and publication	1,210	1,071	4,875	7,156	1,000	621	6,284	15,061
Professional fees	1,389	1,527	9,505	12,421	2,134	443	18,782	33,780
Program purchase	-	29,451	-	29,451	-	-	-	29,451
Sub-grantees	-	3,608	4,358	7,966	-	-	5,000	12,966
Supplies	218	2,356	6,591	9,165	3,570	180	2,726	15,641
Telephone	2,529	3,105	2,674	8,308	568	757	234	9,867
Travel	7,284	12,109	2,408	21,801	495	-	414	22,710
Taxes	45	1,671	-	1,716	-	3,075	14	4,805
Total expenses	\$ 203,001	\$ 2,603,767	\$ 374,324	\$ 3,181,092	\$ 43,046	\$ 90,332	\$ 62,087	\$ 3,376,557

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2011

	<i>Program Services</i>							<i>General and Administration</i>	<i>Total</i>
	<i>Education</i>	<i>Benefits</i>	<i>Furniture Bank</i>	<i>First Stop Initiative</i>	<i>Total Program Services</i>	<i>Fundraising</i>	<i>Property</i>		
Salaries	\$ 73,526	\$ 25,375	\$ 198,167	\$ 294,422	\$ 591,490	\$ 26,818	\$ -	\$ 7,364	\$ 625,672
Payroll taxes	6,243	2,131	16,932	25,168	50,474	1,554	-	592	52,620
Employee benefits	19,287	7,489	38,134	24,106	89,016	-	-	2,600	91,616
Subtotal	99,056	34,995	253,233	343,696	730,980	28,372	-	10,556	769,908
In-kind donations	-	-	2,342,727	-	2,342,727	-	-	-	2,342,727
Contract labor	-	-	13,470	3,243	16,713	49,976	1,036	-	67,725
Depreciation	427	427	21,342	427	22,623	427	10,671	8,963	42,684
Equipment rental and maintenance	352	342	4,675	1,895	7,264	282	212	195	7,953
Insurance	1,037	2,282	8,103	4,634	16,056	96	9,825	32	26,009
Miscellaneous	-	-	360	2,075	2,435	-	-	4,481	6,916
Occupancy	3,434	3,574	15,522	6,789	29,319	386	22,820	11,736	64,261
Interest	-	-	-	-	-	-	38,500	1,035	39,535
Postage	606	709	827	2,736	4,878	3,962	349	325	9,514
Printing and publication	1,474	547	2,300	11,544	15,865	2,880	837	246	19,828
Professional fees	1,359	1,059	2,515	5,585	10,518	1,281	1,078	11,876	24,753
Sub-grantees	-	-	-	11,653	11,653	-	-	-	11,653
Supplies and purchase	1,651	461	3,066	2,473	7,651	6,417	81	1,665	15,814
Telephone	1,418	1,385	2,803	2,620	8,226	551	133	137	9,047
Travel	125	1,145	8,972	787	11,029	-	-	-	11,029
Total expenses	\$ 110,939	\$ 46,926	\$ 2,679,915	\$ 400,157	\$ 3,237,937	\$ 94,630	\$ 85,542	\$ 51,247	\$ 3,469,356

The accompanying notes are an integral part of these financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 1 - Organization

Massachusetts Coalition for the Homeless, Inc. (“Organization”) was organized in the Commonwealth of Massachusetts as a not-for-profit corporation on February 9, 1983. Truly a coalition, the Organization works with organizations and individuals that are united in their commitment to end homelessness. The following is a brief description of each of the major programs of the Organization.

HomeLink Initiative - The HomeLink Initiative is designed to work with community health centers, public school districts and early intervention workers to help identify households that are having a housing crisis and then offer quick assistance to ensure that they remain stably housed.

A Bed for Every Child Initiative - The Organization raises funds to purchase a twin mattress, frame, and linens for each student referred to the Organization by its partners.

Education - The Education program provides general education to the public concerning issues of homelessness and also assists homeless people in accessing available resources. The program provides, upon the request of legislators, information relating to issues affecting services and allocations to the homeless.

Furniture Bank - The Program is a unique furniture bank that collects furniture and household goods from corporations, hotels, colleges and private households and distributes them to formerly homeless people who have found housing.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets - include funds with donor-imposed restrictions, which stipulate that the organization expend the assets as specified and are satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the organization to expend part or all of the income derived from the donated assets. The Organization did not have any permanently restricted net assets at June 30, 2012 and 2011.

Cash and Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represent funds that have been designated by the Board for investment.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Revenue Recognition

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Contributed Goods and Services

The Organization records various types of in kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services (Continued)

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/ or support service are allocated directly according to its natural expenditure classification.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or if donated, at their estimated fair market value at the date of receipt. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. The cost of maintenance, repairs, and minor renewals are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	39
Equipment	3-5
Motor vehicles	5

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Organization is, however, subject to tax under IRC Section 512 on the net rental income from its debt-financed real property that is not being used for an exempt purpose. In fiscal years 2012 and 2011, the unrelated business income tax was \$4,805 and \$-0-, respectively. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1) (a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from Massachusetts state taxes.

Uncertain Tax Positions

At June 30, 2012 and 2011, the Organization recorded a tax liability of \$4,805 and \$-0- on this unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Note 3 - Contributed Goods and Services

The Organization receives a substantial amount of household necessities such as beds, refrigerators, dressers, chairs, tables, blankets, infant and children's products and toys donated by individuals and corporations interested in the Furniture Bank program. These goods are re-distributed to homeless facilities directly or through shelters and human service agencies. For the years ended June 30, 2012 and 2011, the Organization received donated household necessities totaling \$2,232,311 and \$2,342,727, respectively. The in-kind contributions of household necessities that are reflected in the accompanying financial statements are based upon estimated fair values, determined by management and the applicable donors.

Note 4 - Temporarily Restricted Net Assets

At June 30, 2012 and 2011, the Organization had temporarily restricted net assets of \$-0- and \$13,327, respectively, which are restricted for specific programs.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 5- Property and Equipment

At June 30, 2012 and 2011 property and equipment consist of the following:

	<i>2012</i>	<i>2011</i>
Land	\$ 200,000	\$ 200,000
Building and improvements	1,497,985	1,491,960
Equipment	85,652	84,652
Motor vehicles	29,350	29,350
	1,812,987	1,805,962
Less accumulated depreciation	438,154	394,516
Property and equipment, net	\$ 1,374,833	\$ 1,411,446

Depreciation expense for the years ended June 30, 2012 and 2011 was \$43,638 and \$42,684, respectively.

Note 6 - Significant Concentrations of Risk

The Organization maintains its cash and cash equivalents in various financial institutions in accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments have a fair value at June 30, 2012 and 2011 that comprises 19% and 20%, respectively of total assets.

Note 7 - Investments

Investments consist of money market funds, corporate stocks, and mutual funds, are stated at fair value based on quoted prices in active markets, and are summarized as follows, at June 30, 2012 and 2011:

	<i>2012</i>		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain/(Loss)</i>
Money Market	\$ 1,047	\$ 1,047	\$ -
Mutual funds	509,150	452,803	56,347
Common stocks	12,761	21,187	(8,426)
Total	\$ 522,958	\$ 475,037	\$ 47,921

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 7 - Investments (Continued)

	<i>2011</i>		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain/(Loss)</i>
Money Market	\$ 650	\$ 650	\$ -
Mutual funds	540,618	453,917	86,701
Common stocks	9,979	17,153	(7,174)
Total	\$ 551,247	\$ 471,720	\$ 79,527

Investment income for the years ended June 30, is as follows:

	<i>2012</i>	<i>2011</i>
Dividends and interest	\$ 8,332	\$ 8,520
Realized gain (loss) on investments	2,929	(13,945)
Unrealized gain (loss) on investments	(31,606)	134,371
Investment expenses	(7,478)	(7,332)
Investment income, net	\$ (27,823)	\$ 121,614

Note 8 - Fair Value Measurements

Financial Accounting Standards Board Statement ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 8 - Fair Value Measurements (Continued)

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include mutual funds and stocks, which amounted to \$522,958 and \$551,247 as of June 30, 2012 and 2011, respectively. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

Note 9 - Long-Term Debt

At June 30, 2012 and 2011, long-term debt was comprised of:

	<u>2012</u>	<u>2011</u>
Mortgage note payable to a bank was refinanced on April 13, 2011, due in monthly installments of \$6,478, including interest at an initial 5-year fixed rate of 6%, then adjust to the FHLB five year advance rate plus 3%, and again for the remaining term, with an interest rate floor of 6% secured by real property and personal property and fixtures located on and used in connection with the secured real property, and maturing April, 2023.	\$ 630,722	\$ 657,510
Less current portion	<u>41,786</u>	<u>39,359</u>
Long-term debt, net	<u>\$ 588,936</u>	<u>\$ 618,151</u>

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 9 - Long-Term Debt (Continued)

Aggregate maturities of long-term debt over the next five years are as follows:

2013	\$	41,786
2014		44,363
2015		47,100
2016		50,005
2017		53,089
Thereafter		394,379

The mortgage agreement contains various covenants, which among other things, place restrictions on the Organization's ability to incur additional indebtedness and require the Organization to maintain certain financial ratios. At June 30, 2012, the Organization meets all the restrictive covenants.

Note 10 - Interest Expense

Interest costs are expensed as incurred. For the years ended June 30, 2012 and 2011, the Organization incurred \$39,283 and \$39,535, respectively for interest.

Note 11 - Rental Income

The Organization leases a portion of its building space under the terms of a three year lease. Gross rental income received during the years ended June 30, 2012 and 2011 totaled \$116,866 and \$121,847, respectively. Net rent income received during the years ended June 30, 2012 and 2011 totaled \$70,703 and \$55,990, respectively.

Note 12 - Compensated Absences

Employees of the Organization are entitled to paid vacation, sick, and personal days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Management's policy is to recognize the costs of compensated absences when actually paid to employees.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 13 - Contract Revenue

For the years ended June 30, 2012 and 2011, contract revenue was as follows:

	<u>2012</u>	<u>2011</u>
Commonwealth of Massachusetts		
Department of Transitional Assistance	\$ 26,864	\$ 97,661
City of Boston, Massachusetts		
Department of Neighborhood Development	18,295	18,407
City of Lynn and Boston, Massachusetts		
Lynn Housing Authority & Neighborhood Development/ Lynn Public School	27,441	56,117
City of Lynn, Massachusetts		
McKinney Vento	<u>-</u>	<u>10,000</u>
Total contract revenue	<u>\$ 72,600</u>	<u>\$ 182,185</u>

Note 14- Excess/(Deficit) of Revenue from the Commonwealth of Massachusetts

The Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy pursuant to 808 CMR 1.19 (3) of Pricing, Reporting and Auditing for Social Programs allows a provider to retain, for future use, a portion of annual net surplus. This net surplus, from the revenues and expenses associated with services provider to Purchasing Agencies, which are subject to 808 CMR 1.00, may not exceed 5% of said provider's revenue annually. Furthermore, the cumulative amount of the provider's net surplus may not exceed 20% of the provider's prior year's revenue from purchasing agencies.

A current year surplus, which exceeds the 20% amount, may be reinvested in program services as stipulated by the purchasing agencies, recouped or used by the Commonwealth to reduce the price of future contracts.

- Beginning accumulated surplus revenue retention for the year ended June 30, 2012 was \$(4,692,343).
- There were no funds expended from the SRR fund pool during June 30, 2012.
- Surplus revenue retention calculated for the year ended June 30, 2012 was \$-0-.
- The accumulated SRR balance is \$(4,692,343) which is less than the limit of the 5% and the 20% on a cumulative basis.

MASSACHUSETTS COALITION FOR THE HOMELESS, INC.

Notes to Financial Statements

June 30, 2012 and 2011

Note 15 - Special Events

The Organization has an annual event in the fiscal year 2012 and two major special events, *What's in the Bag* and *Behind the Lens* in the fiscal year 2011. For the years ended June 30, 2012 and 2011, the Organization incurred the following special event revenue and expenses:

	<u>2012</u>	<u>2011</u>
Special event revenue	\$ 274,342	\$ 183,814
Less: direct special event expenses	<u>59,706</u>	<u>22,358</u>
Special events, net	<u>\$ 214,636</u>	<u>\$ 161,456</u>

Note 16 - Subsequent Event

Subsequent events have been evaluated through October 21, 2012 which is the date the financial statements were available to be issued.

Note 17 - Prior Period Adjustment

Prior period adjustments to adjust beginning of 2012 net assets were to reverse prior year unrelated business tax recorded in the current period.

Beginning net assets as originally reported	\$ 2,092,722
Reverse prior year unrelated business tax	<u>(3,448)</u>
Beginning net assets as restated	<u>\$ 2,089,274</u>

Prior period adjustments to adjust beginning of 2011 net assets were to write off the old accounts receivable.

Beginning net assets as originally reported	\$ 2,003,755
Write off old accounts receivable	<u>(12,482)</u>
Beginning net assets as restated	<u>\$ 1,991,273</u>

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*Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards*

To the Board of Directors of
Massachusetts Coalition for the Homeless, Inc.
Lynn, Massachusetts

We have audited the financial statements of Massachusetts Coalition for the Homeless, Inc. (a nonprofit organization) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 21, 2012. 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.

Internal Control over Financial Reporting

Management of Massachusetts Coalition for the Homeless, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Massachusetts Coalition for the Homeless, Inc.'s internal control over financial reporting as a basis for designing 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 Massachusetts Coalition for the Homeless, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Massachusetts Coalition for the Homeless, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization, the Board of Directors, 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.

NE Kelly & Associates LLC

NE Kelly & Associates, LLC
Boston, Massachusetts
October 21, 2012