Audited
Financial Statements

Interseminarian – Project Place, Inc.
and Subsidiary

June 30, 2012

G.T. Reilly
& Company
Certified Public Accountants/Business Consultants

Interseminarian – Project Place, Inc. and Subsidiary

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Interseminarian – Project Place, Inc. and Subsidiary

We have audited the accompanying consolidating statements of financial position of Interseminarian – Project Place, Inc. (a nonprofit organization) and Subsidiary as of June 30, 2012 and 2011, and the related consolidating statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating 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, as 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 consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidating 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 consolidated financial position of Interseminarian – Project Place, Inc. and Subsidiary as of June 30, 2012 and 2011, and the consolidated changes in their net assets and 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 31, 2012 on our consideration of Interseminarian – Project Place, Inc. and Subsidiary'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 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 audit.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
October 31, 2012

Consolidating Statements of Financial Position

June 30, 2012

	Project Place	Gatehouse	Intercompany Eliminations	Consolidated
Assets				
CURRENT ASSETS				
Cash and cash equivalents	$ 122,501	$ 10,685	$ -	$ 133,186
Cash - Security deposits	-	2,790	-	2,790
Investments	145,984	-	-	145,984
Accounts receivable - program and other services, less allowance for doubtful account of $9,500	87,520	-	-	87,520
Accounts receivable - residents	-	3,063	-	3,063
Accounts receivable - commercial services	78,202	-	-	78,202
Contributions receivable	100,000	-	-	100,000
Inventory	12,352	-	-	12,352
Prepaid expenses	14,314	3,811	-	18,125
Intercompany loan	87,950	-	(87,950)	-
TOTAL CURRENT ASSETS	648,823	20,349	(87,950)	581,222
PROPERTY AND EQUIPMENT	304,203	11,120,185	(250,000)	11,174,388
Less accumulated provisions for depreciation	191,924	1,782,287	-	1,974,211
	112,279	9,337,898	(250,000)	9,200,177
OTHER ASSETS				
Restricted deposits and funded reserves	-	273,884	-	273,884
Notes receivable - MHIC	5,575,325	-	-	5,575,325
Investment in Gatehouse	120,000	-	(120,000)	-
	5,695,325	273,884	(120,000)	5,849,209
	$ 6,456,427	$ 9,632,131	$ (457,950)	$ 15,630,608
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES				
Accounts payable	$ 25,010	$ 28,464	$ -	$ 53,474
Accrued expenses	94,378	10,822	-	105,200
Deferred revenue	22,945	12,735	-	35,680
Security deposits	-	5,420	-	5,420
Intercompany loan	-	87,950	(87,950)	-
TOTAL CURRENT LIABILITIES	142,333	145,391	(87,950)	199,774
LONG-TERM DEBT, due after one year	-	11,103,039	-	11,103,039
NET ASSETS (DEFICIENCY)				
Unrestricted	6,163,007	(1,616,299)	(370,000)	4,176,708
Temporarily restricted	151,087	-	-	151,087
	6,314,094	(1,616,299)	(370,000)	4,327,795
	$ 6,456,427	$ 9,632,131	$ (457,950)	$ 15,630,608

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

Interseminarian - Project Place, Inc. and Subsidiary

Consolidating Statements of Financial Position

June 30, 2011

	Project Place	Gatehouse	Intercompany Eliminations	Consolidated
Assets				
CURRENT ASSETS				
Cash and cash equivalents	$ 34,679	$ 39,759	$ -	$ 74,438
Cash - Security deposits	-	3,658	-	3,658
Investments	143,366	-	-	143,366
Accounts receivable - program services, less allowance for doubtful account of $9,500	142,194	-	-	142,194
Accounts receivable - residents	-	10,031	-	10,031
Accounts receivable - commercial services	161,388	-	-	161,388
Contributions receivable	27,500	-	-	27,500
Inventory	8,987	-	-	8,987
Prepaid expenses	4,306	11,810	-	16,116
Intercompany loan	94,781	-	(94,781)	-
TOTAL CURRENT ASSETS	617,201	65,258	(94,781)	587,678
PROPERTY AND EQUIPMENT	302,384	10,893,123	(250,000)	10,945,507
Less accumulated provisions for depreciation	158,998	1,440,243		1,599,241
	143,386	9,452,880	(250,000)	9,346,266
OTHER ASSETS				
Restricted deposits and funded reserves	-	284,866	-	284,866
Notes receivable - MHIC	5,575,325	-	-	5,575,325
Investment in Gatehouse	120,000	-	(120,000)	-
	5,695,325	284,866	(120,000)	5,860,191
	$ 6,455,912	$ 9,803,004	$ (464,781)	$ 15,794,135
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES				
Accounts payable	$ 32,813	$ 23,151	$ -	$ 55,964
Accrued expenses	76,161	9,789	-	85,950
Deferred revenue	21,626	5,244	-	26,870
Security deposits	-	6,362	-	6,362
Line of credit	49,750	-	-	49,750
Intercompany loan	-	94,781	(94,781)	-
TOTAL CURRENT LIABILITIES	180,350	139,327	(94,781)	224,896
LONG-TERM DEBT, due after one year	-	11,103,039	-	11,103,039
NET ASSETS (DEFICIENCY)				
Unrestricted	6,189,535	(1,439,362)	(370,000)	4,380,173
Temporarily restricted	86,027	-	-	86,027
	6,275,562	(1,439,362)	(370,000)	4,466,200
	$ 6,455,912	$ 9,803,004	$ (464,781)	$ 15,794,135

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

Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

	Project Place		Gatehouse		
	Unrestricted	Temporarily Restricted	Unrestricted	Intercompany Eliminations	Total
SUPPORT AND REVENUE					
Gifts and contributions	$ 507,599	$ 151,087	$ 50,000	$ -	$ 708,686
Contributed services and facilities	178,880	-	-	(178,080)	800
Government grants and contracts	935,787	-	10,000	-	945,787
Commercial products and services	452,208	-	-	(31,200)	421,008
Special events	165,236	-	-	-	165,236
Investment income	3,770	-	874	-	4,644
Unrealized investment losses	(983)	-	-	-	(983)
Rental income	-	-	232,194	-	232,194
Other income (loss)	600	-	(2,773)	-	(2,173)
Settlement income (Note 16)	-	-	185,000	-	185,000
Net assets released from restrictions	86,027	(86,027)	-	-	-
TOTAL SUPPORT AND REVENUE	2,329,124	65,060	475,295	(209,280)	2,660,199
EXPENSES					
Program services	1,854,050	-	652,232	(172,596)	2,333,686
Property management	38,306	-	-	-	38,306
General and administrative	175,192	-	-	(16,294)	158,898
Fundraising	288,104	-	-	(20,390)	267,714
TOTAL EXPENSES	2,355,652	-	652,232	(209,280)	2,798,604
CHANGE IN NET ASSETS	(26,528)	65,060	(176,937)	-	(138,405)
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	6,189,535	86,027	(1,439,362)	(370,000)	4,466,200
NET ASSETS (DEFICIENCY) AT END OF YEAR	$ 6,163,007	$ 151,087	$ (1,616,299)	$ (370,000)	$ 4,327,795

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

Consolidating Statement of Activities and Change in Net Assets

Year Ended June 30, 2011

	Project Place		Gatehouse		
	Unrestricted	Temporarily Restricted	Unrestricted	Intercompany Eliminations	Total
SUPPORT AND REVENUE					
Gifts and contributions	$ 400,684	$ 86,028	$ 17,900	$ -	$ 504,612
Contributed services and facilities	180,500	-	-	(178,080)	2,420
Government grants and contracts	1,020,119	-	-	-	1,020,119
Commercial products and services	501,739	-	-	(31,200)	470,539
Special events	180,518	-	-	-	180,518
Investment income	4,969	-	1,246	-	6,215
Unrealized investment gains	7,146	-	-	-	7,146
Rental income	-	-	237,522	-	237,522
Other income	50,200	-	-	-	50,200
Net assets released from restrictions	218,798	(218,798)	-	-	-
TOTAL SUPPORT AND REVENUE	2,564,673	(132,770)	256,668	(209,280)	2,479,291
EXPENSES					
Program services	2,020,746	-	605,410	(172,596)	2,453,560
Property management	45,182	-	-	-	45,182
General and administrative	181,839	-	-	(16,294)	165,545
Fundraising	279,670	-	-	(20,390)	259,280
TOTAL EXPENSES	2,527,437	-	605,410	(209,280)	2,923,567
CHANGE IN NET ASSETS	37,236	(132,770)	(348,742)	-	(444,276)
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	6,152,299	218,797	(1,090,620)	(370,000)	4,910,476
NET ASSETS (DEFICIENCY) AT END OF YEAR	$ 6,189,535	$ 86,027	$ (1,439,362)	$ (370,000)	$ 4,466,200

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

Consolidated Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services						Supporting Services				
	Client Services	Education	Training & Employment	Housing	Gatehouse	Total Program	Fundraising	Property Mgmt.	Admin.& General	Total Support	Total Expenses
Personell Expenses											
Salaries	$ 407,906	$ 103,682	$ 201,174	$ 92,062	$ -	$ 804,824	$ 99,651	$ 22,983	$ 60,912	$ 183,546	$ 988,370
Payroll taxes	47,936	11,368	23,924	10,143	-	93,371	12,593	2,356	9,341	24,290	117,661
Fringe	26,442	2,956	13,168	3,985	-	46,551	10,105		9,430	19,535	66,086
Total Personnel Expenses	482,284	118,006	238,266	106,190	-	944,746	122,349	25,339	79,683	227,371	1,172,117
Operating Expenses											
Occupancy	39,596	9,267	8	2,483	121,645	172,999	26,530	7,307	17,849	51,686	224,685
Depreciation	10,307	1,017	16,019	1,709	342,865	371,917	4,352	-	4,522	8,874	380,791
Program consultants	20,000	-	-	-	-	20,000	2,500	-	-	2,500	22,500
Staff training	-	-	30	-	-	30	40	-	-	40	70
Staff travel	106	-	-	-	-	106	325	-	786	1,111	1,217
Meals	-	12,285	151	-	-	12,436	-	-	-	-	12,436
Client transportation	10,897	-	-	-	-	10,897	-	-	-	-	10,897
Client wages and payroll related	-	-	361,743	-	-	361,743	-	-	-	-	361,743
Program supplies	3,222	1,940	133,400	-	-	138,562	3,723	44	1,550	5,317	143,879
Fundraising fees	-	-	-	-	-	-	77,545	-	-	77,545	77,545
Legal fees	-	-	-	-	3,160	3,160	-	-	-	-	3,160
Audit fees	-	-	-	-	7,850	7,850	-	-	23,350	23,350	31,200
Professional fees	39,056	10,972	42,196	6,433	57,654	156,311	7,796	5,616	20,467	33,879	190,190
Program support	7,653	748	9,475	7,551	3,792	29,219	14,893	-	5,447	20,340	49,559
Interest expense	-	-	-	-	81,311	81,311	-	-	2,293	2,293	83,604
Other expenses	6,829	7	250	10	2,755	9,851	7,536	-	2,951	10,487	20,338
Non-reimbursable	-	-	12,548	-	-	12,548	125	-		125	12,673
Total Operating Expenses	137,666	36,236	575,820	18,186	621,032	1,388,940	145,365	12,967	79,215	237,547	1,626,487
Total Expenses	$ 619,950	$ 154,242	$ 814,086	$ 124,376	$ 621,032	$ 2,333,686	$ 267,714	$ 38,306	$ 158,898	$ 464,918	$ 2,798,604

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

Interseminarian - Project Place, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services						Supporting Services				
	Client Services	Education	Training & Employment	Housing	Gatehouse	Total Program	Fundraising	Property Mgmt.	Admin. & General	Total Support	Total Expenses
Personell Expenses											
Salaries	$ 447,861	$ 109,854	$ 239,106	$ 90,002	$ 2,150	$ 888,973	$ 88,848	$ 26,091	$ 57,016	$ 171,955	$ 1,060,928
Payroll taxes	46,751	10,542	24,109	8,657	170	90,229	12,430	1,893	8,844	23,167	113,396
Fringe	38,009	6,362	18,896	5,299	5	68,571	16,203	-	4,571	20,774	89,345
Total Personnel Expenses	532,621	126,758	282,111	103,958	2,325	1,047,773	117,481	27,984	70,431	215,896	1,263,669
Operating Expenses											
Occupancy	39,614	5,962	9,381	3,008	87,537	145,502	25,833	10,359	16,615	52,807	198,309
Depreciation	9,200	1,837	10,533	1,904	340,027	363,501	2,467	265	1,842	4,574	368,075
Program consultants	20,808	-	-	-	-	20,808	-	-	-	-	20,808
Stipends	-	-	50	-	-	50	-	-	-	-	50
Staff training	-	-	25	10	-	35	2,275	-	496	2,771	2,806
Staff travel	2,040	-	-	-	-	2,040	296	-	1,139	1,435	3,475
Meals	-	14,729	331	-	-	15,060	-	-	-	-	15,060
Client transportation	10,051	-	-	-	-	10,051	-	-	-	-	10,051
Client wages and payroll related	-	-	385,838	2,558	-	388,396	-	-	-	-	388,396
Program supplies	3,401	1,821	173,459	-	-	178,681	1,900	52	2,688	4,640	183,321
Fundraising fees	-	-	-	-	-	-	79,252	-	462	79,714	79,714
Legal fees	-	-	-	-	1,479	1,479	-	-	-	-	1,479
Audit fees	-	-	-	-	11,500	11,500	-	-	22,000	22,000	33,500
Professional fees	35,223	7,417	56,725	7,285	46,336	152,986	4,498	6,247	33,881	44,626	197,612
Directors/officers insurance	-	-	-	-	-	-	-	-	1,800	1,800	1,800
Program support	8,085	1,064	12,041	4,917	3,902	30,009	18,480	275	9,632	28,387	58,396
Interest expense	-	-	-	-	81,086	81,086	-	-	1,492	1,492	82,578
Other expenses	68	1	179	1	18	267	6,798	-	3,067	9,865	10,132
Non-reimbursable	-	-	4,336	-	-	4,336	-	-	-	-	4,336
Total Operating Expenses	128,490	32,831	652,898	19,683	571,885	1,405,787	141,799	17,198	95,114	254,111	1,659,898
Total Expenses	$ 661,111	$ 159,589	$ 935,009	$ 123,641	$ 574,210	$ 2,453,560	$ 259,280	$ 45,182	$ 165,545	$ 470,007	$ 2,923,567

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

Consolidating Statements of Cash Flows

Year Ended June 30, 2012

	Project Place	Gatehouse	Intercompany Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	$ 38,532	$ (176,937)	$ -	$ (138,405)
Adjustments to reconcile changes in net assets to net cash provided from operations:				
Depreciation	37,926	342,865	-	380,791
Non-monetary settlement agreement income	-	(160,000)	-	(160,000)
Unrealized investment losses	983	-	-	983
(Gain)Loss on disposal of property and equipment	(600)	2,773		2,173
Changes in operating assets and liabilities:				
Accounts receivable - program services	54,674	-	-	54,674
Accounts receivable - residents	-	6,968	-	6,968
Contributions receivable	(72,500)		-	(72,500)
Accounts receivable - commercial services	83,186	-	-	83,186
Inventories	(3,365)	-	-	(3,365)
Prepaid expense	(10,008)	7,999	-	(2,009)
Restricted deposits and funded reserves	-	10,982	-	10,982
Accounts payable	(7,803)	5,313	-	(2,490)
Accrued expenses	18,217	1,033	-	19,250
Deferred revenue	1,319	7,491	-	8,810
Security deposits	-	(75)	-	(75)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	140,561	48,412	-	188,973
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, equipment and building improvements	(6,819)	(70,655)	-	(77,474)
Gain on Sale of Assets	600	-		600
Intercompany loan	6,831	-	(6,831)	-
Purchase of investments	(3,601)	-	-	(3,601)
NET CASH APPLIED TO INVESTING ACTIVITIES	(2,989)	(70,655)	(6,831)	(80,475)
CASH FLOWS FROM FINANCING ACTIVITIES				
Intercompany loan	-	(6,831)	6,831	-
Payments on line of credit, net	(49,750)	-	-	(49,750)
NET CASH (APPLIED TO) PROVIDED FROM FINANCING ACTIVITIES	(49,750)	(6,831)	6,831	(49,750)
RESULTING IN A NET INCREASE (DECREASE) IN CASH	87,822	(29,074)	-	58,748
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,679	39,759	-	74,438
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 122,501	$ 10,685	$ -	$ 133,186
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year for interest	$ 2,293	$ 79,278	$ -	$ 81,571
SUMMARY OF NON-CASH FINANCING AND INVESTING ACTIVITIES				
Contractor building improvements via settlement agreement	$ -	$ 160,000	$ -	$ 160,000

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

Consolidating Statements of Cash Flows

Year Ended June 30, 2011

	Project Place	Gatehouse	Intercompany Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	$ (95,534)	$ (348,742)	$ -	$ (444,276)
Adjustments to reconcile changes in net assets to net cash provided from (applied to) operations:				
Depreciation	28,048	340,027	-	368,075
Unrealized investment gains	(7,146)	-	-	(7,146)
Changes in operating assets and liabilities:				
Accounts receivable - program services	(43,469)	-	-	(43,469)
Accounts receivable - residents	-	(3,442)	-	(3,442)
Contributions receivable	72,500	-	-	72,500
Accounts receivable - commercial services	(120,098)	-	-	(120,098)
Inventories	(5,001)	-	-	(5,001)
Prepaid expenses	18,152	3,521	-	21,673
Restricted deposits and funded reserves	-	(21,720)	-	(21,720)
Accounts payable	4,721	(842)	-	3,879
Accrued expenses	(48,102)	1,778	-	(46,324)
Deferred revenue	(21,946)	5,244	-	(16,702)
Rent deposits	-	228	-	228
NET CASH PROVIDED FROM (APPLIED TO) OPERATING ACTIVITIES	(217,875)	(23,948)	-	(241,823)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(95,064)	-	-	(95,064)
Intercompany loan	12,677	-	(12,677)	-
Purchase of investments	(4,756)	-	-	(4,756)
NET CASH (APPLIED TO) PROVIDED FROM INVESTING ACTIVITIES	(87,143)	-	(12,677)	(99,820)
CASH FLOWS FROM FINANCING ACTIVITIES				
Intercompany loan	-	(12,677)	12,677	-
Proceeds from line of credit, net	49,750	-	-	49,750
NET CASH PROVIDED FROM (APPLIED TO) FINANCING ACTIVITIES	49,750	(12,677)	12,677	49,750
RESULTING IN A NET DECREASE IN CASH	(255,268)	(36,625)	-	(291,893)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	289,947	76,384	-	366,331
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 34,679	$ 39,759	$ -	$ 74,438

SUPPLEMENTAL CASH FLOW INFORMATION

	Project Place	Gatehouse	Intercompany Eliminations	Consolidated
Cash paid during the year for interest	$ 1,492	$ 79,059	$ -	$ 80,551

Notes to Consolidating Financial Statements

June 30, 2012

Note 1 – Nature of Activities and Significant Accounting Policies

Principles of Consolidation – The consolidating financial statements include the accounts of Interseminarian – Project Place, Inc. and its 80%-owned subsidiary, Project Place Gatehouse, Inc., collectively referred to as “the Corporation”. All significant balances between classes of net assets and intercompany balances and transactions among entities have been eliminated in the accompanying consolidating financial statements.

Minority Interest in Subsidiary – Losses applicable to the minority interest in the subsidiary are charged against the majority interest, since such previous losses reduced the minority equity interest to zero, and since there is no obligation of the minority interest to fund such losses. However, if future earnings do materialize, the majority interest would be credited with income applicable to the minority interest to the extent of such minority interest losses previously absorbed. Total cumulative minority interest losses absorbed by the subsidiary at June 30, 2012 and 2011 were approximately $323,000 and $288,000, respectively.

Nature of Activities – Interseminarian – Project Place, Inc. is a nonprofit, nonpartisan organization founded and incorporated in 1967, supporting homeless men and women in their transition to permanent housing and permanent employment through job training and employment, transitional housing, case management, career counseling and educational services.

Project Place Gatehouse, Inc. (“the Subsidiary”), is a nonprofit, nonpartisan organization founded and incorporated in February 2007. Interseminarian – Project Place, Inc. owns 80% of the Subsidiary. The other owner is Madison Park Development Corporation, who owns a 20% interest. The subsidiary developed and is operating a parcel of land with a building containing approximately 25,000 square feet. The facility houses the agency offices, program activities, commercial real estate space and 14 units of subsidized low-income housing.

Income Taxes – Interseminarian – Project Place, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Interseminarian – Project Place, Inc. qualifies for the charitable contribution deduction under Section 107(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Effective March 1, 2007, the Subsidiary reorganized under Massachusetts not-for-profit statutes. The Subsidiary applied for not-for-profit status with the Internal Revenue Service and, as such, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Subsidiary qualifies for the charitable contribution deduction under Section 107(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Corporation's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Financial Statement Presentation - The Corporation reports information regarding its financial position and activities according to three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Note 1 – Significant Accounting Policies (Cont.)

Contributions and Donor Restrictions - Use-restricted contributions are reported in the statement of activities as temporarily restricted support when received, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions (see Note 9).

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted net assets. Income derived from the investment of endowment funds is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument. The Corporation had no permanently restricted net assets at either June 30, 2012 or 2011.

Accounting 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 disclosure 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.

Statements of Cash Flows – For the purpose of the consolidating statements of cash flows, the Corporation considers bank checking accounts, bank money market accounts and certificates of deposit with maturities of less than three months to be cash and equivalents.

Accounts Receivable – Accounts receivable are stated net of an allowance for doubtful accounts, which is reported on the face of the Corporation's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, the Corporation's history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Contributions Receivable – Under generally accepted accounting principles, contributions, including unconditional promises to give, are recognized as revenues in the period made. Contributions receivable that are, in effect, "unconditional promises to give" are recorded at the present value of future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values (see Note 3).

Inventory – Inventory consists of vending machine soft drinks and snack items used in the Pepsi Project program and are stated at the lower of cost or market value.

Investments – Investments in marketable equity securities with readily determinable fair values (including mutual funds) and all debt securities are reported at fair value, with realized and unrealized gains and losses reflected in the statement of activities (see Note 2).

Fair Value Measurements - Fair value measurements are used to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Corporation uses fair value measurements to record its investments (see Note 2). Under generally accepted accounting principles, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances quoted market prices are not available, therefore fair values are based upon estimates using present value or other valuation techniques. Inputs to valuation techniques refer to assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources; or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available to management.

Note 1 – Significant Accounting Policies (Cont.)

Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, and gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

> Level 1 - Valuations based on quoted prices available in active markets for identical assets and liabilities.
>
> Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable either directly or indirectly for the asset or liability.
>
> Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement for the asset or liability.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets.

Property and Equipment – Property and equipment are stated at cost if purchased and at fair value if received as a contribution. Depreciation is provided over the estimated useful lives of the individual assets using straight-line and accelerated methods.

The cost of maintenance and repairs is expensed as incurred, significant renewals and betterments are capitalized. The Corporation capitalizes expenditures for equipment in excess of $5,000 having an estimated useful life exceeding one year.

Support and Revenue Recognition – Government contracts and grants are recorded when services are provided and costs are incurred. Unrestricted grants and contributions are recorded as revenue and support when received or unconditionally committed.

Rental Income – The Corporation receives rental income from individual tenants and commercial rental space, which is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Corporation and the tenants are operating leases. The Corporation receives substantially all of its revenue from its rental activity in Boston, Massachusetts (see Note 11).

Consolidated Statement of Functional Expenses – The Corporation's consolidated statement of activities reports expenses by its major program and supporting activities. Certain expenses have been allocated among the programs benefited. A statement of functional expenses is included to report expenses by their natural classification.

Evaluation of Subsequent Events – In accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Corporation for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2012 (the date of the accompanying financial statements) up through October 31, 2012, the date the accompanying financial statements were available to be issued.

Note 2 – Investments

Investments consist of the following at June 30:

	2012			2011		
	Market Value	**Unrealized Gain**	**Cost**	Market Value	Unrealized Gain	Cost
Mutual Funds	**$ 145,984**	**$ 15,521**	**$ 130,463**	$ 143,366	$ 16,504	$ 126,862

The Corporation's investment securities are considered valued using Level 1 inputs as they are based on quoted market prices in active markets (see Note 1).

Note 2 – Investments (Cont.)

The Corporation recorded unrealized losses of $983 and unrealized gains of $7,146 for the years ended June 30, 2012 and 2011, respectively. There were no sales of investments during either 2012 or 2011. At June 30, 2012, the Corporation's investments consist of six different mutual funds (80% equity, 20% bonds) held at the Vanguard Group.

Risks and Uncertainties – The Corporation's investments in mutual funds are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with these investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the Statements of Financial Position and the Statements of Activities.

Note 3 – Contributions Receivable

Contributions receivable, by donor, consist of the following at June 30:

	2012	2011
Baupost Group, L.L.C.	**$ 100,000**	-
Hartford Foundation	**-**	$ 27,500
	$ 100,000	$ 27,500

At both June 30, 2012 and 2011, the Corporation's contributions receivable represent amounts due within one year.

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	Estimated Useful Life	**2012**	2011
Land		**$ 250,000**	$ 250,000
Building and improvements	10-40 years	**9,992,744**	9,765,682
Office and Program equipment	5-10 years	**826,409**	824,590
Motor Vehicles	5-7 years	**105,235**	105,235
		11,174,388	10,945,507
Less accumulated depreciation		**1,974,211**	1,599,241
		$ 9,200,177	$ 9,346,266

Depreciation expense was $380,791 and $368,075 for the years ended June 30, 2012 and 2011, respectively.

Note 5 – Restricted Deposits and Funded Reserves

Operating Reserves – The Corporation is required to maintain a reserve for operating shortfalls. During 2008, the Corporation fulfilled its initial $200,000 deposit requirement by making a deposit of $100,000 into a money market account held at Mercantile Bank, and purchasing an 11-month Certificate of Deposit (CD), earning 4.98%, in the amount of $100,000 at Citizens Bank. Upon maturity, the $100,000 Certificate of Deposit at Citizens Bank was transferred to a money market account held at Eastern Bank. Future annual deposits will be made in the amount of the net cash flow after the development service fee and deposits to the replacement reserves pursuant to the fourth mortgage loan.

Note 5 – Restricted Deposits and Funded Reserves (Cont.)

A summary of activity in the operating reserves are as follows for the years ended June 30:

	2012	2011
Balance at July 1st	$ 214,127	$ 212,989
Interest Income	801	1,138
Balance at June 30th	$ 214,928	$ 214,127

There were no required annual deposits for either of the years ended June 30, 2012 or 2011.

Replacement Reserves – The Corporation is also required to maintain a reserve for significant repairs and replacements for capital items, as well as for permanent improvements and betterments. The reserve funds are held by Eastern Bank (previously Wainwright Bank). Annual additions to the replacement reserve fund in the amount of $18,750 for the first payment and escalating 2.5% per annum thereafter are required pursuant to the fourth mortgage loan.

A summary of activity in the replacement reserve is as follows for the years ended June 30:

	2012	2011
Balance at July 1st	$ 70,739	$ 50,157
Annual Deposit	21,103	20,489
Withdrawals	(32,926)	-
Interest income	40	93
Balance at June 30th	$ 58,956	$ 70,739

Note 6 – Notes Receivable

Notes receivable consist of the following at June 30:

	2012	2011
Borrowings from a bank (see Note 8) to fund the "Gatehouse" project were advanced to Massachusetts Housing and Investment Corporation (MHIC). Payments of interest only are due monthly at 5.9% through April 30, 2007 and 0.0% interest thereafter. The note matures on December 31, 2035	$ 3,400,000	$ 3,400,000
Amounts advanced to the Massachusetts Housing and Investment Corporateion (MHIC) to fund the "Gatehouse" project. The stated interest rate of the note is 0.0%. The note matures on December 31, 2035	2,175,325	2,175,325
	$ 5,575,325	$ 5,575,325

Note 7 – Deferred Revenue

Deferred revenue consists of the following at June 30:

	2012	2011
Advance payments of commercial services	$ 20,300	$ 7,377
Receipts for golf tournament held in July	15,380	19,493
	$ 35,680	$ 26,870

Note 8 – Long-Term Debt

Long-term debt consists of the following at June 30:

	2012	2011
Notes payable - Massachusetts Housing and Investment Corporation (MHIC) with interest in varying amounts from 0% to 7.1%. The notes are collateralized by real estate known as the "Gatehouse" project. The project financing is from various sources and is managed by MHIC.	**$ 11,103,039**	$ 11,103,039

Maturities of long-term debt at June 30, 2011 are as follows:

Year Ended June 30	
2014	$ 700,000
2015	-
Thereafter	10,403,039
	$ 11,103,039

There are no maturities of long-term debt for the years 2012 and 2013.

Interest charged on the notes for the years ended June 30, 2012 and 2011 was $81,311 and $81,086, respectively.

Note 9 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2012	2011
General and program operating support	**$ 151,087**	$ 86,027

Temporarily restricted grants and donations were used for the following purposes and programs during the year ended June 30:

	2012	2011
General and program operating support	**$ 86,027**	$ 218,798

Note 10 – Pension Plans

The Corporation adopted a Tax Sheltered Annuity Plan under IRC Section 403(b) in 1996 for all employees who wish to participate. The Corporation did not contribute to the plan in the years ended June 30, 2012 and 2011, and incurred no plan administration expense. An insurance company bears all of the risks associated with the plan.

The Corporation implemented a 401(k) Salary Deferral Plan in January 2000. The Corporation contributes 50% of the employees' contributions up to 5% of employees' gross salary. Contributions by the Corporation for the years ended June 30, 2012 and 2011 were approximately $9,000 and $8,600 respectively.

Note 11 – Rental Income

During 2007, the Corporation moved its principal program and administrative facilities to its own premises at 1145 Washington Street, Boston, Massachusetts. The completion and occupancy of Project Place-Gatehouse (the Subsidiary), allowed the Corporation to offer 14 units of affordable residential housing and approximately 1,700 square feet of commercial restaurant space for lease. Effective November 17, 2007, the Corporation entered into a commercial restaurant lease agreement. The lease is for a seven-year term and contains two, five-year options to renew. The lease agreement requires monthly payments of $3,064 for the first 36 months and $3,340 monthly payments for the remaining term. The lessee is also obligated for its proportionate share of operating costs. The residential housing lease agreements for program participants are generally for terms not to exceed twelve months.

Rental income was approximately $232,000 and $238,000 for the years ended June 30, 2012 and 2011 respectively.

Future minimum rental income from the Washington Street facility under noncancellable leases in excess of one year are as follows:

Year Ended June 30	Commercial Space	Residential Housing	Total
2013	40,079	135,000	175,079
2014	40,079	-	40,079
2015	15,030	-	15,030
	$ 95,188	$ 135,000	$ 230,188

Note 12 – Related Party Transactions

<u>Occupancy Costs</u> – Interseminarian Project Place, Inc. (IPP) leases approximately 14,850 feet of office and program space from its subsidiary, Project Place Gatehouse, Inc. The lease agreement is for a seven-year term and is predominantly treated as an in-kind donation between the two organizations. The lease agreement does require Interseminarian Project Place, Inc. to pay a nominal monthly rental of $10, including its share of operating expenses. The approximate value of the contributed office and program space was $178,000 for both the years ended June 30, 2012 and 2011.

<u>Program Costs</u> – During both fiscal 2012 and 2011, Interseminarian Project Place, Inc. also provided janitorial and maintenance services to its subsidiary for a fee through its Clean Corners-Bright Hopes job training program. For both the years ended June 30, 2012 and 2011, program janitorial and maintenance services charged by IPP to its subsidiary were $31,200.

<u>Loans</u> – From time to time, the Corporation receives from or makes loans to its subsidiary corporation.

Loans payable to the parent corporation at June 30 consist of the following:

	2012	2011
Non-interest bearing loan from Project Place Gatehouse, Inc. with no established payment terms	**$ 87,950**	$ 94,781

All of the above-mentioned intercompany transactions are eliminated in the consolidating financial statements.

Note 13 – Bank Line of Credit

On June 2, 2010, the Corporation obtained a new $150,000 line of credit with a local financial institution. The credit line is collateralized by substantially all assets of the Corporation and borrowings bear interest at 1% over the bank's prime lending rate. All borrowings are payable on demand. Outstanding borrowings as of June 30, 2011 were $49,750. There were no outstanding borrowings at June 30, 2012.

Note 14 – Financial Instruments and Concentrations of Credit Risk

The Corporation's financial instruments that may be subject to concentrations of credit risk consist of cash in banks, accounts and contributions receivable and investments.

The Corporation maintains its cash deposits with four high-quality financial institutions. At times the amounts on deposit at any institution may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. At June 30, 2012, there were no bank deposits in excess of FDIC insurance limits.

At both June 30, 2012 and 2011, approximately all of the Corporation's accounts receivable for program services are due from departments of the City of Boston and local municipal and governmental agencies. At June 30, 2012, the Corporation's contribution receivable of $100,000 is due from one donor (see Note 3).

Note 15 – Surplus Revenue Recognition

The Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy pursuant to 808 CMR 1.19(3) of the 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 provided 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 revenues from Purchasing Agencies.

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

According to the Division's accounting and reporting policies, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of unrestricted fund balance. Any surplus revenue retained in excess of the aforementioned limits is to be reported as an unrestricted liability.

The Corporation has no surplus revenue that would be required to be reported as a liability at both June 30, 2012 and 2011. The following represents the components of unrestricted net assets:

	Unrestricted Net Assets	Commonwealth of Massachusetts Cumulative Revenue Surplus	Total
Balance at July 1, 2010	$ 4,691,679	$ -	$ 4,691,679
Change in Net Assets	(311,506)	-	(311,506)
Balance at June 30, 2011	4,380,173	-	4,380,173
Change in Net Assets	407,433	(610,898)	(203,465)
Balance at June 30, 2012	$ 4,787,606	$ (610,898)	$ 4,176,708

Note 16 – Settlement Income

On November 14, 2011, the Corporation entered into a settlement agreement and mutual release with four other non-related building and construction related entities. The settlement agreement arose from difficulties and equipment failures related to the Corporation's geothermal and HVAC systems providing heat and air conditioning to its building located at 1145 Washington Street, Boston.

As part of the settlement agreement, the lead contractor has installed a supplemental, roof-mounted cooling system and has replaced non-performing equipment with upgrades for the purpose of improving the building's cooling and heating capability. The agreement provided for direct payments from two of the parties to the lead contractor totaling $157,000, which served as compensation for $160,000 of costs incurred by the lead contractor in connection with the cooling and heating system enhancements and improvements. The Corporation received $25,000 directly from a separate party to the settlement agreement.

Total settlement income recorded by the Corporation for the fiscal year ended June 30, 2012 was $185,000.

Total costs incurred for the cooling and heating enhancements and improvements, including direct payments to the lead contractor, approximated $226,000 as of June 30, 2012. The improvements have been completed and were placed in service during 2012.

No court has determined the merits of any claims by the parties or defenses that might be asserted by any party and, accordingly, recognizing the expense, consumption of time, and uncertainties of a legal dispute and possible litigation, all parties have agreed to resolve their claims via the settlement agreement and mutual release.

Note 17 – Other Income

On December 23, 2010, the Corporation entered into a LLC Agreement as Managing Member, with an Investor Member, for the purpose of creating a property redevelopment plan. The property, located on 40 Berkeley Street in Boston's South End, consisted of a 13,000 square foot parcel of land and a seven-story brick building containing approximately 70,000 square feet, which formerly housed a YMCA. The Corporation's participation would have allowed it to further its charitable mission and exempt purposes by creating employment opportunities, providing job training and education, and providing housing assistance and support for low-income and homeless individuals. Call-put options were included as part of the agreement and either could have been exercised during the pre-development phase in the event formal terms could not be reached. On June 30, 2011, the Investor Member exercised its call option, and paid $50,000 to the Corporation in exchange for its past participation, the transfer of its Managing Member's rights, and indemnity and releases. The $50,000 payment was recorded as other revenue in the consolidating statement of activities and changes in net assets for the year ended June 30, 2011.

OTHER FINANCIAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT F FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Interseminarian - Project Place, Inc. and Subsidiary

We have audited the financial statements of Interseminarian - Project Place, Inc. and Subsidiary (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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.

Internal Control Over Financial Reporting

Management of Interseminarian - Project Place, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered Interseminarian - Project Place, Inc. and Subsidiary 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 Interseminarian - Project Place, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Agency'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 the 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 weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interseminarian - Project Place, Inc. and Subsidiary'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 audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Board of Directors and management of Interseminarian - Project Place, Inc. and Subsidiary, 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.

G. T. Reilly & Company

G.T. Reilly & Company

Milton, Massachusetts
October 31, 2012