

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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Jobs – Housing – Hope

Mission Statement

Project Place provides opportunities for homeless and low-income individuals by providing the skills, education, resources, and personal supports necessary to obtain and sustain employment and housing.

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YEAR ENDED JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Interseminarian - Project Place, Inc. and Subsidiaries
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Interseminarian - Project Place, Inc. (a Massachusetts nonprofit organization) and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Interseminarian - Project Place, Inc. and Subsidiaries as of June 30, 2017 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Interseminarian - Project Place, Inc. and Subsidiaries

Summarized Comparative Consolidated Information

The consolidated financial statements of Interseminarian - Project Place, Inc. and Subsidiaries as of June 30, 2016 were audited by other auditors whose report dated December 14, 2016 expressed an unmodified opinion on those statements. The summarized consolidated comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017 on our consideration of Interseminarian - Project Place, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interseminarian - Project Place, Inc.'s internal control over financial reporting and compliance.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The FY 2017 consolidating schedules on pages 23 - 24 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The FY 2016 consolidating schedules on pages 25 - 26 were audited by other auditors, whose report dated December 14, 2016 stated that the information had been subjected to the auditing procedures applied in their audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Their opinion reported that the consolidating information was fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
October 25, 2017

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 740,539	\$ 814,918
Investments	178,705	169,277
Accounts Receivable, Program Services	170,983	264,811
Accounts Receivable, Residents	5,844	3,255
Contributions Receivable	27,000	50,000
Inventory	6,838	6,971
Prepaid Expenses	33,813	11,005
Total Current Assets	<u>1,163,722</u>	<u>1,320,237</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Property and Equipment	10,431,517	10,426,962
Less: Accumulated Depreciation	<u>(3,316,285)</u>	<u>(3,167,028)</u>
Net Property and Equipment	<u>7,115,232</u>	<u>7,259,934</u>
<u>OTHER ASSETS:</u>		
Board Designated Funds for Strategic Plan	1,000,000	-
Restricted Deposits and Funded Reserves	<u>261,409</u>	<u>237,815</u>
Total Other Assets	<u>1,261,409</u>	<u>237,815</u>
<u>TOTAL ASSETS</u>	<u>\$ 9,540,363</u>	<u>\$ 8,817,986</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 29,523	\$ 65,928
Accrued Expenses	163,276	157,211
Deferred Revenue	<u>83,338</u>	<u>37,825</u>
Total Current Liabilities	<u>276,137</u>	<u>260,964</u>
<u>LONG-TERM LIABILITIES:</u>		
Long-Term Deferred Payment Debt	<u>1,900,000</u>	<u>1,900,000</u>
Total Long-Term Liabilities	<u>1,900,000</u>	<u>1,900,000</u>
<u>TOTAL LIABILITIES</u>	<u>2,176,137</u>	<u>2,160,964</u>
<u>NET ASSETS:</u>		
Unrestricted Net Assets	6,260,301	6,497,530
Unrestricted Net Assets, Board Designated	<u>1,000,000</u>	<u>-</u>
Total Unrestricted Net Assets	<u>7,260,301</u>	<u>6,497,530</u>
Temporarily Restricted Net Assets	<u>103,925</u>	<u>159,492</u>
Total Net Assets	<u>7,364,226</u>	<u>6,657,022</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 9,540,363</u>	<u>\$ 8,817,986</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

(With Summarized Comparative Consolidated Totals for 2016)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES 2017</u>	<u>2016</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Program Revenues:</i>				
Government Grants and Contracts	\$ 1,601,883	\$ -	\$ 1,601,883	\$ 1,721,016
Commercial Products and Services	548,829	-	548,829	410,553
Rental Income	193,896	-	193,896	182,015
<i>Gifts, Grants and Contributions:</i>				
Gifts, Grants and Contributions	229,730	440,500	670,230	650,234
Special Event Proceeds	1,129,202	-	1,129,202	228,254
Less: Direct Cost of Benefits to Donors	(325,936)	-	(325,936)	(46,765)
<i>Other Revenues:</i>				
Dues Income	-	-	-	29,505
Miscellaneous Revenues	25,929	-	25,929	32,825
Investment Return	9,647	-	9,647	3,130
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	496,067	(496,067)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,909,247</u>	<u>(55,567)</u>	<u>3,853,680</u>	<u>3,210,767</u>
<u>EXPENSES BEFORE DEPRECIATION:</u>				
<i>Program Services:</i>				
Program Services	2,410,756	-	2,410,756	2,232,439
<i>Supporting Services:</i>				
Property Management	-	-	-	127,995
Administrative	279,443	-	279,443	421,409
Fund Raising	238,755	-	238,755	156,470
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>2,928,954</u>	<u>-</u>	<u>2,928,954</u>	<u>2,938,313</u>
<u>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND OTHER CHANGES</u>	<u>980,293</u>	<u>(55,567)</u>	<u>924,726</u>	<u>272,454</u>
Depreciation Expense	(273,772)	-	(273,772)	(286,902)
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>706,521</u>	<u>(55,567)</u>	<u>650,954</u>	<u>(14,448)</u>
Adjustment for Elimination of Accumulated Depreciation of Developer Fees	56,250	-	56,250	-
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>762,771</u>	<u>(55,567)</u>	<u>707,204</u>	<u>(14,448)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>6,497,530</u>	<u>159,492</u>	<u>6,657,022</u>	<u>6,671,470</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 7,260,301</u>	<u>\$ 103,925</u>	<u>\$ 7,364,226</u>	<u>\$ 6,657,022</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

(With Summarized Comparative Consolidated Totals for 2016)

	<u>CLIENT</u>	<u>TRAINING &</u>	<u>TOTAL</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL EXPENSES</u>			
	<u>SERVICES</u>	<u>EDUCATION</u>	<u>EMPLOYMENT</u>	<u>HOUSING</u>	<u>PROGRAM</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>2017</u>	<u>2016</u>
<i>Personnel Expenses:</i>									
Salaries and Wages	\$ 699,796	\$ 135,812	\$ 339,671	\$ 74,365	\$ 1,249,644	\$ 143,610	\$ 135,210	\$ 1,528,464	\$ 1,363,163
Payroll Taxes	61,994	12,319	29,863	6,066	110,242	11,363	10,490	132,095	117,701
Fringe Benefits	<u>70,492</u>	<u>12,203</u>	<u>24,449</u>	<u>4,618</u>	<u>111,762</u>	<u>2,418</u>	<u>11,964</u>	<u>126,144</u>	<u>117,073</u>
Total Personnel Expenses	<u>832,282</u>	<u>160,334</u>	<u>393,983</u>	<u>85,049</u>	<u>1,471,648</u>	<u>157,391</u>	<u>157,664</u>	<u>1,786,703</u>	<u>1,597,937</u>
<i>Operating Expenses:</i>									
Occupancy Costs	49,053	15,210	44,472	84,412	193,147	2,556	5,553	201,256	234,680
Depreciation	32,036	31,881	47,684	109,567	221,168	31,978	20,626	273,772	286,902
Program Consultants	92,045	700	650	-	93,395	-	-	93,395	198,414
Staff Training	1,924	-	50	-	1,974	300	-	2,274	857
Staff Travel	6,755	10	563	-	7,328	477	237	8,042	1,648
Client Wages	-	-	288,736	-	288,736	-	-	288,736	324,958
Program Supplies and Activities	8,893	56,196	30,522	1,190	96,801	651	634	98,086	101,915
Fundraising Events	-	-	-	-	-	-	359,747	359,747	50,496
Audit Fees	-	-	-	-	-	56,025	-	56,025	42,874
Other Professional Fees	24,481	4,770	22,930	28,890	81,071	16,750	18,904	116,725	210,984
Insurance Expense	24,988	2,020	28,062	14,696	69,766	21,686	2,628	94,080	35,930
Program Support and Office	34,405	4,986	54,643	7,673	101,707	4,818	18,812	125,337	119,900
Other Expenses	207	218	1,468	3,290	5,183	5,029	512	10,724	49,651
Bad Debt Expenses	-	-	-	-	-	13,760	-	13,760	14,834
Total Operating Expenses	<u>274,787</u>	<u>115,991</u>	<u>519,780</u>	<u>249,718</u>	<u>1,160,276</u>	<u>154,030</u>	<u>427,653</u>	<u>1,741,959</u>	<u>1,674,043</u>
Total Functional Expenses	1,107,069	276,325	913,763	334,767	2,631,924	311,421	585,317	3,528,662	3,271,980
Depreciation Expense	(32,036)	(31,881)	(47,684)	(109,567)	(221,168)	(31,978)	(20,626)	(273,772)	(286,902)
Direct Cost of Benefits to Donors	-	-	-	-	-	-	(325,936)	(325,936)	(46,765)
Total Expenses per the									
Statement of Activities	<u>\$ 1,075,033</u>	<u>\$ 244,444</u>	<u>\$ 866,079</u>	<u>\$ 225,200</u>	<u>\$ 2,410,756</u>	<u>\$ 279,443</u>	<u>\$ 238,755</u>	<u>\$ 2,928,954</u>	<u>\$ 2,938,313</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 707,204	\$ (14,448)
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation Expense	280,022	286,902
Unrealized Investment (Gains) Losses	(5,649)	907
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Program Services	93,828	(26,872)
Accounts Receivable, Residents	(2,589)	(979)
Contributions Receivable	23,000	100,000
Inventory	133	(508)
Prepaid Expenses	(22,808)	6,945
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(36,408)	(29,785)
Accrued Expenses	6,065	46,547
Deferred Revenue	45,513	18,465
Security Deposits	-	1,411
Net Adjustment	<u>381,107</u>	<u>403,033</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>1,088,311</u>	<u>388,585</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of Property, Equipment and Building Improvements	(135,319)	(41,771)
Purchase of Investments	<u>(453,777)</u>	<u>(3,838)</u>
Net Cash Flows from Investing Activities	<u>(589,096)</u>	<u>(45,609)</u>
<u>NET INCREASE IN CASH BALANCES</u>	<u>499,215</u>	<u>342,976</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>1,052,733</u>	<u>709,757</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 1,551,948</u>	<u>\$ 1,052,733</u>
<i>Cash Balances:</i>		
Cash	\$ 740,539	\$ 814,918
Board Designated Funds for Strategic Plan	550,000	-
Restricted Deposits and Funded Reserves	<u>261,409</u>	<u>237,815</u>
Total Cash Balances	<u>\$ 1,551,948</u>	<u>\$ 1,052,733</u>

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

NOTE 1 ORGANIZATION AND AFFILIATIONS

Interseminarian - Project Place, Inc.:

Interseminarian - Project Place, Inc. (“Project Place”) is a nonprofit organization founded and incorporated in 1967, under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. Project Place has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Project Place Gatehouse, Inc.:

Project Place Gatehouse, Inc. (the “Subsidiary” or “Project Place Gatehouse”) is a nonprofit organization founded and incorporated in February 2007 under the above noted provisions of the Massachusetts General Laws and the Internal Revenue Code. The Board of Directors for Project Place Gatehouse is comprised of four members of the Board of Directors for Project Place. Project Place Gatehouse owns a condominium unit located at 1145 Washington Street in Boston that houses affordable residential housing along with the Project Place program and office facilities. The residential housing consists of 14 furnished studio apartments.

The 1145 Washington Street Condominium Trust:

The 1145 Washington Street Condominium Trust (the “Condominium Trust”) was established in 2014 pursuant to a Declaration of Trust under the provisions of Massachusetts General Laws, Chapter 183A, Section 10. The 1145 Washington Street Condominium consists of land and buildings divided into a restaurant/retail condominium unit, and the above noted office/commercial/residential condominium unit which is owned by Project Place Gatehouse.

Generally, each of the unit owners will be responsible for the proper maintenance and repair of its respective unit and common area to which it has exclusive rights. Operating costs applicable to the entire building, which include electricity, gas, water, sewer and property insurance, will be allocated and assessed among the unit owners in accordance with the percentages of interests in the general common elements and specific cost allocations based upon usage.

The Board of Trustees of The Condominium Trust shall consist of three members. Two trustees shall be appointed and chosen from the Project Place unit owner and one trustee shall be appointed and chosen from the restaurant unit owner.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 1 *(Continued)*

Caritas Project Place Cortes Member LLC:

Project Place owns 21% of Caritas Project Place Cortes Member LLC (“Caritas PP”), which is a managing member corporation established to participate in the Caritas Project Place Cortes LLC real estate development project. As the managing member of a limited partnership, Caritas PP owns .01% of the underlying real estate development project, consisting of 41 units of affordable housing located on Cortes Street, Boston, Massachusetts. Project Place’s interest in this entity is not considered to have a financial value and, therefore, is not reflected within the Organization’s books and records. Project Place is party to a service agreement to provide employment, training, and other services for the benefit of the current and future residents of the housing project with compensation set at the rate of \$50,000 per year, which began in FY 2017 with compensation retroactive to April 1, 2016.

NOTE 2 PROGRAM SERVICES

Project Place provides essential resources to clients who want to find meaningful work and a place to call home. The Organization offers a coordinated plan of services toward clients’ goals of employment, housing, and hope for the future.

A prominent social service agency in Boston, Project Place has been working in the community since 1967 serving clients in the face of significant challenges. As the needs of the population have shifted over the years, Project Place has responded by refocusing its programs to fit current needs. Since the need for jobs and housing has never been greater, Project Place operates out of a sense of urgency with compassion and the know-how to support personal change.

Until now, Project Place clients have had limited options for employment stemming from problems related to poverty and insufficient education to perform adequately in today’s workplace. Most clients have experienced interruptions in the flow of their lives stemming from drug and alcohol abuse, military service, family breakdown, incarceration, domestic violence, mental illness, or a cluster of these problems that are overwhelming to overcome without assistance.

Prospective clients come to us through word-of-mouth and by referrals from community and church centers. We offer a warm welcome into the community to those who demonstrate a willingness to do the hard work necessary to set and meet long-term goals. The first requirement for admissions is a commitment to personal stability, including gaining and maintaining sobriety and meeting the full attendance requirement of the programs.

Project Place believes in the success of our clients and provides support post-placement for a minimum of two years to sustain the positive strides made by our clients and to promote a career trajectory.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's consolidated financial statements are described below to enhance the usefulness of the consolidated financial statements to the reader. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Principles of Consolidation:

The consolidated financial statements include the accounts of Interseminarian - Project Place, Inc., Project Place Gatehouse, Inc. and The 1145 Washington Street Condominium Trust, collectively referred to as "the Organization". All significant balances between classes of net assets and inter-organization balances and transactions among entities have been eliminated in the accompanying consolidated financial statements.

Condominium Fees received from the second unit owner have been netted against the gross common area costs and the net cost applicable to Project Place and Project Place Gatehouse has been presented within *Occupancy Costs* and allocated across programs and supporting services in accordance with the Organization's cost allocation policies.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its consolidated financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 *(Continued)*

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's consolidated financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of investments.

There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports 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. These classifications are related to the existence or absence of donor-imposed restrictions are presented below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for activities and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes. All transactions of Project Place's subsidiaries have been reported as unrestricted.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is 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 - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, Project Place, did not have any assets of this nature.

The accompanying consolidated financial statements include certain FY 2016 comparative information. With respect to the Consolidated Statement of Activities, such prior year information is not presented by net asset class and, in the Consolidated Statement of Functional Expenses, FY 2016 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 *(Continued)*

Investments:

The Organization maintains an investment portfolio which includes cash equivalents and marketable debt and equity securities in the form of professionally managed mutual funds. As required by the *FASB Accounting Standards Codification*TM, investments are reported at fair value, including unrealized gains and losses which are recognized in the current period Consolidated Statements of Activities.

Investments are classified as short or long-term depending upon the nature of the investments and the intentions of management.

All investments included in the accompanying consolidated financial statements are classified within Level 1 of the fair value hierarchy.

Accounts Receivable:

Accounts Receivable, Program Services represents amounts which are due from government funded program service contracts, subcontracts and commercial service revenue. *Accounts Receivable, Program Services* are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. *Accounts Receivable, Program Services* are reported net of the estimated uncollectible balance. Actual bad debts recognized from uncollectible program services for the year ended June 30, 2017 amounted to \$11,499, while there were no bad debts recognized in the prior year.

Accounts Receivable, Residents represents rental income amounts which are due from individual tenants. *Accounts Receivable, Residents* are stated at the amount management expects to collect from its tenants. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the respective individuals. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. *Accounts Receivable, Residents* are reported net of the estimated uncollectible balance. *Bad Debt Expense* on resident receivables was \$2,261 and \$14,834 for the years ended June 30, 2017 and 2016, respectively, as a result of these estimates. The total bad debt expense recognized in each year includes the annual provision for the reserve allowance against resident receivables and the actual bad debts from uncollected rents.

Contributions Receivable:

Contributions Receivable reflects the balance due on unconditional promises to give, which management considers to be fully collectible. Therefore, there is no provision for uncollectible grants receivable, and there were no losses arising from uncollectible promises to give for the years presented. These consolidated financial statements do not contain a provision for uncollectible accounts receivable; therefore, if amounts become uncollectible, a provision will be established when that determination is made. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 *(Continued)*

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.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$5,000 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

Depreciation of property and equipment is computed using the straight-line method, and is charged to activities over the following estimated useful lives of the assets, as expressed in terms of years:

<u>Asset Category</u>	<u>Life</u>
Buildings	40
Building Improvements	10 - 40
Office and Program Equipment	5 - 10
Motor Vehicles	5 - 7

Revenue Recognition:

Government Funded Service Contracts and Awards

Project Place is the recipient of various federal, state and local government funded service contracts and direct federal awards. These contracts are administered on either a cost reimbursement basis or on a unit-of-service basis; accordingly, the funding sources are billed as eligible costs are incurred or units-of-service are provided, and unrestricted program service revenues along with the related receivables are recorded in the period during which the costs were incurred and the services were delivered. These service contracts and agreements are typically subject to an annual renewal process and future funding is not guaranteed. For the years presented, the primary funding sources included the U.S. Department of Labor, the City of Boston, the Commonwealth of Massachusetts and the Suffolk County Sheriff's Department.

Commercial Products and Services

Project Place operates four ongoing businesses, referred to as *Social Enterprises*, that employ clients and program participants who complete the Work Ready program. Social Enterprises includes a cleaning business, vending machine operations, a catering business and product manufacturing services. Revenue from Social Enterprises is recognized when earned as services are provided or as sales transactions are completed. Revenue that is either invoiced or received in advance is considered unearned and is recognized as *Deferred Revenue*, a current liability in the accompanying Consolidated Statements of Financial Position.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 *(Continued)*

Rental Income

Project Place Gatehouse receives rental income from individual, formerly homeless tenants, which is recognized when earned based upon occupancy dates. Rental income collected in advance is considered unearned and presented as *Deferred Revenue*. Four units are subsidized by the Massachusetts Rental Voucher Program (“MRVP”) and overseen by the Metropolitan Boston Housing Partnership (“MBHP”). Under the MRVP, tenants are responsible for a portion of their rent which is determined using a formula prescribed by the MBHP and Affordable Housing Regulations. Ten units are subsidized by an annual grant from the City of Boston through the HUD Supportive Housing program for project-based permanent housing.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Goods, Services and Facilities:

As required by the *FASB Accounting Standards Codification*TM, Project Place maintains a policy whereby contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. For the year ended June 30, 2017, food subsidies valued at \$36,420 were received from the Greater Boston Food Bank, and recognized as an expense with offsetting support included in *Gifts, Grants and Contributions* in the accompanying consolidated financial statements.

Functional Expenses:

Project Place allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based upon space and time usage ratios. Supporting services are those related to operating and managing Project Place, Inc. and its programs on a day-to-day basis.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 3 *(Continued)*

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Project Place, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for Project Place, Inc.'s programs.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Project Place and Project Place Gatehouse pertain to their status as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The primary tax position made by The Condominium Trust pertains to its status as under the Massachusetts laws regarding condominium trusts. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning after December 15, 2017 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning after December 15, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

Reclassifications:

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Reclassifications made to the prior year consolidated information have no impact on total net assets or changes in net assets.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 4 INVESTMENTS

As of June 30, 2017 and 2016, Project Place's investment portfolio consists of the following:

<u>Investment Type</u>	<u>June 30, 2017</u>		
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>
Schwab Treasury Money Market Fund	\$450,000	\$ 102	\$450,102
Stock Mutual Funds	38,275	12,318	50,593
Bond Mutual Funds	<u>112,891</u>	<u>15,119</u>	<u>128,010</u>
Total Investments	<u>\$601,166</u>	<u>\$27,539</u>	<u>\$628,705</u>

<u>Investment Type</u>	<u>June 30, 2016</u>		
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>
Stock Mutual Funds	\$ 37,167	\$ 5,418	\$ 42,585
Bond Mutual Funds	<u>110,323</u>	<u>16,369</u>	<u>126,692</u>
Total Investments	<u>\$147,490</u>	<u>\$21,787</u>	<u>\$169,277</u>

Financial Statement Presentation:

	<u>2017</u>	<u>2016</u>
Investments, Short-Term	\$178,705	\$169,277
Board Designated Funds for Strategic Plan	<u>450,000</u>	-
Total	<u>\$628,705</u>	<u>\$169,277</u>

Investment gains and losses consist of the following at for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Net Unrealized Gains (Losses) on Investments	\$5,649	\$ (907)
Interest and Dividends	<u>3,998</u>	<u>4,037</u>
Net Investment Return	<u>\$9,647</u>	<u>\$3,130</u>

The Organization uses the following ways to determine the fair value of its investments:

Schwab Treasury Money Market Fund and Mutual Funds: Determined at the published NAV unit at the end of the last trading day of the fiscal year, which is the basis for the transactions at that date. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares held by the Organization at year end. NAV is quoted in an active market.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 5 ACCOUNTS RECEIVABLE

Accounts Receivable, Program Services:

Accounts receivable from program services as of June 30, 2017 and 2016 are summarized below:

<u>Funding Source</u>	<u>2017</u>	<u>2016</u>
Government Contracts	\$122,773	\$218,679
Commercial Services	57,510	55,432
Other	<u>200</u>	<u>200</u>
Total Accounts Receivable	180,483	274,311
Less: Provision for Uncollectible Amounts	<u>(9,500)</u>	<u>(9,500)</u>
Net Realizable Value	<u>\$170,983</u>	<u>\$264,811</u>

Accounts Receivable, Residents:

Accounts receivable from residents as of June 30, 2017 and 2016 are summarized below:

<u>Funding Source</u>	<u>2017</u>	<u>2016</u>
Residents	\$ 20,678	\$ 24,673
Less: Provision for Uncollectible Amounts	<u>(14,834)</u>	<u>(21,418)</u>
Net Realizable Value	<u>\$ 5,844</u>	<u>\$ 3,255</u>

NOTE 6 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2017 and 2016:

<u>Asset Category</u>	<u>2017</u>	<u>2016</u>
Land	\$ 250,000	\$ 250,000
Building and Renovations	9,115,000	9,084,178
Office and Program Equipment	994,124	987,549
Motor Vehicles	<u>72,393</u>	<u>105,235</u>
Subtotal	10,431,517	10,426,962
Accumulated Depreciation	<u>(3,316,285)</u>	<u>(3,167,028)</u>
Total Property and Equipment, Net	<u>\$ 7,115,232</u>	<u>\$ 7,259,934</u>

A one-time adjustment of \$56,250 has been made in the FY 2017 Consolidated Statement of Activities, which reflects the accumulated depreciation on the capitalized developer fee of \$250,000, which has been eliminated in consolidation.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 7 MANAGEMENT RESTRICTED DEPOSITS AND FUNDED RESERVES

Operating Reserve:

As part of the original mortgage loan agreement, Project Place was required to maintain a \$200,000 reserve for operating shortfalls. Although the funds are now unencumbered, management intends to continue to maintain the existing funds in pre-established depository accounts. Management also intends to use the funds for the future cash needs of the building and its equipment.

As of June 30, 2017 and 2016, management restricted operating reserves were \$195,635 and \$195,579, respectively.

Replacement Reserve:

Project Place was 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. Annual additions to the replacement reserve fund in the amount of \$18,750 for the first payment and escalating 2.5% per annum thereafter were required pursuant to the mortgage payable.

Similar to the operating reserve accounts, the replacement reserves are also now unencumbered and management intends to maintain the funds in a pre-established depository account. Management also intends to use the existing replacement reserve funds for the future cash needs of the building and its equipment.

The trustees of The 1145 Washington Street Condominium Trust are required to maintain a replacement reserve fund with respect to the operation, management, maintenance, replacement and repairs of the general common elements of all unit holders.

As of June 30, 2017 and 2016, management restricted replacement reserves were \$65,774 and \$42,236, respectively.

NOTE 8 DEFERRED REVENUE

Deferred revenue consists of the following balances as of June 30, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Advance Payments for Commercial Services	\$65,661	\$13,470
Sponsorship Receipts for the FY 2017 Golf Tournament	-	19,241
Rental Payments Received in Advance	<u>17,677</u>	<u>5,114</u>
Total Deferred Revenue	<u>\$83,338</u>	<u>\$37,825</u>

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 9 DEBT

Project Place Gatehouse - 1145 Washington Street, Boston, Massachusetts

Project Place entered into a new market tax credit arrangement with the Massachusetts Housing Investment Corporation (“MHIC”) in connection with the construction of its mixed used facility in December 2005. In December 2014, after the unwinding process with the new market tax credit arrangement occurred, the remaining long-term debt was \$1.9 million, restructured as three deferred payment non-interest bearing notes described below. There are no current maturities and the aggregate obligation is presented as a long-term debt.

City of Boston Department of Neighborhood Development (“DND”):

A former MHIC New Markets CDE II LLC Series 4 note in the amount of \$700,000 was assigned to the City of Boston DND under the same terms as when held by MHIC. The note requires no monthly payments, is non-interest bearing and matures on June 6, 2036, or upon default of the loan covenants. At maturity, the debt may be waived by DND.

Commercial Economic Development Assistance Corporation (“CEDAC”):

A former MHIC New Markets CDE II LLC Series 4 note in the amount of \$600,000 was assigned to CEDAC under the same terms as when held by MHIC. The note requires no monthly payments, is non-interest bearing and matures on June 21, 2036, or upon default of the loan covenants. At maturity, the debt may be waived by CEDAC.

Massachusetts Department of Housing and Community Development (“DHCD”):

A former MHIC New Markets CDE II LLC Series 4 note in the amount of \$600,000 was assigned to DHCD under the same terms as when held by MHIC. The note requires no monthly payments, is non-interest bearing and matures on July 21, 2036, or upon default of the loan covenants. At maturity, the debt may be waived by DHCD.

Each of the above debts is secured by a mortgage on the property, including the furniture and fixtures. The underlying property is subject to heavy regulation, deed restrictions and the debts are not transferrable on an open market. Management has concluded that the carrying value reflects the fair value of the debt instruments and, therefore, the Organization has not discounted the notes to reflect imputed interest.

Operating Debt

Line-of-Credit:

On July 12, 2013, Project Place established a line-of-credit with Eastern Bank with a borrowing limit of \$300,000. The line-of-credit is secured by all business assets and is subject to fluctuating interest rates, which was 4.25% and 3.5% as of June 30, 2017 and 2016, respectively. All borrowings are payable on demand; however, as of June 30, 2017 and 2016, there was no outstanding balance and the line-of-credit was not used during the years presented. The line-of-credit is subject to annual renewals and, unless renewed, will expire on June 30, 2018.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 10 RESTRICTED AND DESIGNATED NET ASSETS

Temporarily Restricted Net Assets:

Temporarily restricted net assets consists of unexpended donor designated grants and contributions with the following restrictions as of June 30, 2017 and 2016:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Program Restricted	\$ 3,925	\$109,492
Time Restricted	<u>100,000</u>	<u>50,000</u>
Total	<u>\$103,925</u>	<u>\$159,492</u>

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes or by occurrence of events specified by the donors were as follows:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Program Restricted	\$346,067	\$227,953
Lapse of Time Restrictions	<u>150,000</u>	<u>-</u>
Total	<u>\$496,067</u>	<u>\$227,953</u>

Board Designated Funds for Strategic Plan:

In 2017, Project Place held a 50th Anniversary Gala to raise funds to support the execution of its strategic plan. \$1,000,000 has been designated to support three of the plan's objectives, including growing the enterprises to serve a larger and more diverse client base, increasing the level of skills taught, and the geographic expansion of evidence-based best-practice programming for re-entry. The *Board Designated Funds for Strategic Plan* consists of \$450,000 held in a Schwab Treasury Money Market Fund and \$550,000 in cash balances.

NOTE 11 COMMERCIAL PRODUCTS AND SERVICE REVENUE

Commercial products revenue is reflected on the Consolidated Statement of Activities net of the direct cost of goods sold. A summary of the commercial products revenue is presented below:

	<u>2017</u>	<u>2016</u>
Vending Sales	\$ 30,022	\$ 49,302
Product Sales	<u>7,236</u>	<u>548</u>
Gross Sales	37,258	49,850
Less: Cost of Goods Sold	<u>(26,745)</u>	<u>(39,407)</u>
Net Product Sales	10,513	10,443
Production Service	45,718	7,353
Commercial Cleaning	<u>492,598</u>	<u>392,757</u>
Net Commercial Products and Services	<u>\$548,829</u>	<u>\$410,553</u>

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 12 SPECIAL FUND RAISING EVENTS

A summary of special fund raising events is presented below:

<u>Event</u>	<u>Gross Proceeds</u>	<u>Direct Costs</u>	<u>Net Event Revenue</u>	
			<u>2017</u>	<u>2016</u>
Gala	\$1,064,642	\$312,743	\$751,899	\$ -
Brunch	-	-	-	156,070
Golf Tournament	42,180	13,193	28,987	18,367
Other Events	<u>22,380</u>	<u>-</u>	<u>22,380</u>	<u>7,052</u>
Total	<u>\$1,129,202</u>	<u>\$325,936</u>	<u>\$803,266</u>	<u>\$181,489</u>

NOTE 13 EMPLOYEE BENEFIT PROGRAM

Project Place adopted a Tax-Sheltered Annuity Plan under IRC Section 403(b) in 1996 for all employees who wish to participate. Project Place did not contribute to the plan in the years ended June 30, 2017 and 2016, and incurred no plan administration expenses. An insurance company bears all the risks associated with the plan.

Project Place implemented a 401(k) Salary Deferral Plan in January 2000. Project Place contributes 50% of the employees' contributions up to 5% of employees' gross salary. Contributions by Project Place for the years ended June 30, 2017 and June 30, 2016 were \$12,497 and \$13,500, respectively.

NOTE 14 CONTINGENCIES

Surplus Revenue Retention Regulations:

The Commonwealth of Massachusetts Operational Services Division's regulation, 808 CMR 1.19(3), *Not-for-Profit Surplus Revenue Retention*, allows social service providers to retain a surplus up to twenty percent of total revenues attributable to or generated by Commonwealth agreements for the provision of social services to clients of the Commonwealth and to use such surplus revenue for charitable purposes of the Organization. Amounts that exceed the threshold may be subject to recoupment by the Commonwealth. Management concludes that Project Place, Inc. is in compliance with the OSD requirements.

Deed Restrictions:

Each of the debt obligations disclosed in Note 9 imposes a deed restriction on the use of the residential facilities, located in Boston. The purpose of the deed restrictions is to assure the government that the premises will be retained as 14 units of affordable housing for occupancy by low and very low-income individuals for 30 years following completion of the project. The deed restrictions apply to all owners of the property without regard to early repayment of debt.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 15 CONCENTRATION OF CREDIT RISK

Cash Balances:

Project Place is subject to concentrations in credit risk related to its cash and money market accounts. At times during the year, the Organization may exceed FDIC and other insured limits. The Organization had \$588,534 and \$370,000 in excess of federally insured and other limits as of June 30, 2017 and 2016, respectively; however, the Organization has not experienced any losses on such accounts and management considers credit risk on cash to be low.

Accounts Receivable:

For the year ended June 30, 2017, \$74,997, representing 42% of total receivables, was due from three customers.

For the year ended June 30, 2016, \$207,685, representing 77% of total receivables was due from four customers.

Government Funded Contract Revenue:

Aggregate funding from the Department of Labor was \$686,094 and \$804,192 for the years ended June 30, 2017 and 2016, respectively, and accounted for approximately 43% and 47% of total government grants and contracts revenue for these years.

Special Event Revenue:

Project Place held a 50th Anniversary Gala which raised \$1,064,642 for the year ended June 30, 2017 and accounted for approximately 94% of special event proceeds and 28% of total support and revenues for that year.

NOTE 16 CONDITIONAL GRANTS

Highland Street Foundation:

In 2016, Project Place received a three-year grant commitment totaling \$300,000 from the Highland Street Foundation. The initial installment of \$100,000 was not conditional, while the remaining two annual installments were conditional upon satisfactory review of an interim progress report. The grant is restricted to the enterprise expansion and five-year sustainability campaign. Through June 30, 2017, the conditions had been met for the first two years of funding totaling \$200,000. As of June 30, 2017, the remaining installment of \$100,000 was contingent upon satisfactory review of an interim progress report.

Since the conditional term above from the Highland Street Foundation had not been met as of June 30, 2017, the conditional amount of \$100,000 has not been recognized in the accompanying consolidated financial statements.

INTERSEMINARIAN - PROJECT PLACE, INC., AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(With Summarized Comparative Consolidated Information for 2016)

(Continued)

NOTE 17 RELATED PARTY TRANSACTIONS

A former board member was hired as an employee in July 2016. For the years ended June 30, 2017 and 2016, this individual provided consulting services to Project Place. The amount of consulting fees paid was \$4,448 and \$56,521 for the years ended June 30, 2017 and 2016, respectively.

During FY 2017, a company owned by the son of a board member provided video production services to Project Place at a 50% discount. The amount of video production fees paid was \$20,000 for the year ended June 30, 2017.

NOTE 18 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the consolidated financial statements. Therefore, Management has evaluated subsequent events through October 25, 2017, the date which the financial statements were available for issue, and noted no events which met the recognition or disclosure criteria.

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

SCHEDULE I - CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

	<u>PROJECT</u>		<u>1145</u>		<u>CONSOLIDATED</u>
	<u>PLACE</u>	<u>GATEHOUSE</u>	<u>WASHINGTON</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
			<u>ST. TRUST</u>		
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash	\$ 457,343	\$ 196,954	\$ 86,242	\$ -	\$ 740,539
Investments	178,705	-	-	-	178,705
Accounts Receivable, Program Services	170,983	-	-	-	170,983
Accounts Receivable, Residents	-	5,844	-	-	5,844
Contributions Receivable	27,000	-	-	-	27,000
Inventory	6,838	-	-	-	6,838
Prepaid Expenses	28,248	3,270	2,295	-	33,813
Total Current Assets	<u>869,117</u>	<u>206,068</u>	<u>88,537</u>	<u>-</u>	<u>1,163,722</u>
<u>PROPERTY AND EQUIPMENT:</u>					
Property and Equipment	433,033	10,248,484	-	(250,000)	10,431,517
Less: Accumulated Depreciation	<u>(354,342)</u>	<u>(3,024,443)</u>	<u>-</u>	<u>62,500</u>	<u>(3,316,285)</u>
Net Property and Equipment	<u>78,691</u>	<u>7,224,041</u>	<u>-</u>	<u>(187,500)</u>	<u>7,115,232</u>
<u>OTHER ASSETS:</u>					
Board Designated Funds for Strategic Plan	1,000,000	-	-	-	1,000,000
Restricted Deposits and Funded Reserves	-	261,409	-	-	261,409
Investment in Gatehouse	120,000	-	-	(120,000)	-
Due from Related Party	187,276	34,188	-	(221,464)	-
Total Other Assets	<u>1,307,276</u>	<u>295,597</u>	<u>-</u>	<u>(341,464)</u>	<u>1,261,409</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,255,084</u>	<u>\$ 7,725,706</u>	<u>\$ 88,537</u>	<u>\$ (528,964)</u>	<u>\$ 9,540,363</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable	\$ 25,771	\$ 2,025	\$ 1,727	\$ -	\$ 29,523
Accrued Expenses	151,576	11,700	-	-	163,276
Deferred Revenue	65,661	7,018	10,659	-	83,338
Due to Related Party	-	119,335	102,129	(221,464)	-
Total Current Liabilities	<u>243,008</u>	<u>140,078</u>	<u>114,515</u>	<u>(221,464)</u>	<u>276,137</u>
<u>LONG-TERM LIABILITIES:</u>					
Long-Term Deferred Payment Debt	-	1,900,000	-	-	1,900,000
Total Long-Term Liabilities	<u>-</u>	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>1,900,000</u>
<u>TOTAL LIABILITIES</u>	<u>243,008</u>	<u>2,040,078</u>	<u>114,515</u>	<u>(221,464)</u>	<u>2,176,137</u>
<u>NET ASSETS:</u>					
Unrestricted Net Assets	908,151	5,685,628	(25,978)	(307,500)	6,260,301
Unrestricted Net Assets, Board Designated	1,000,000	-	-	-	1,000,000
Total Unrestricted Net Assets	1,908,151	5,685,628	(25,978)	(307,500)	7,260,301
Temporarily Restricted Net Assets	103,925	-	-	-	103,925
Total Net Assets	<u>2,012,076</u>	<u>5,685,628</u>	<u>(25,978)</u>	<u>(307,500)</u>	<u>7,364,226</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,255,084</u>	<u>\$ 7,725,706</u>	<u>\$ 88,537</u>	<u>\$ (528,964)</u>	<u>\$ 9,540,363</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

SCHEDULE II - CONSOLIDATING SCHEDULE OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>PROJECT PLACE</u>		<u>1145 WASHINGTON</u>		<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY</u>	<u>GATEHOUSE</u>	<u>STREET TRUST</u>		
		<u>RESTRICTED</u>	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>		
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Program Revenues:</i>						
Government Grants and Contracts	\$ 1,601,883	\$ -	\$ -	\$ -	\$ -	\$ 1,601,883
Commercial Products and Services	580,029	-	-	-	(31,200)	548,829
Rental Income	-	-	193,896	-	-	193,896
<i>Gifts, Grants and Contributions:</i>						
Gifts, Grants and Contributions	387,587	440,500	20,343	-	(178,200)	670,230
Special Event Proceeds	1,129,202	-	-	-	-	1,129,202
Direct Cost of Benefits to Donors	(325,936)	-	-	-	-	(325,936)
<i>Other Revenues:</i>						
Dues Income	-	-	-	101,894	(101,894)	-
Miscellaneous Revenues	25,929	-	-	-	-	25,929
Investment Return	9,508	-	135	4	-	9,647
<i>Reclassification of Net Assets:</i>						
Satisfaction of Donor Restrictions	496,067	(496,067)	-	-	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,904,269</u>	<u>(55,567)</u>	<u>214,374</u>	<u>101,898</u>	<u>(311,294)</u>	<u>3,853,680</u>
<u>EXPENSES BEFORE DEPRECIATION:</u>						
<i>Program Services:</i>						
Program Services	2,458,327	-	134,708	105,265	(287,544)	2,410,756
<i>Supporting Services:</i>						
Administrative	255,206	-	28,414	6,350	(10,527)	279,443
Fund Raising	249,024	-	-	2,954	(13,223)	238,755
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>2,962,557</u>	<u>-</u>	<u>163,122</u>	<u>114,569</u>	<u>(311,294)</u>	<u>2,928,954</u>
<u>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND OTHER CHANGES</u>	<u>941,712</u>	<u>(55,567)</u>	<u>51,252</u>	<u>(12,671)</u>	<u>-</u>	<u>924,726</u>
Depreciation Expense	(168,013)	-	(112,009)	-	6,250	(273,772)
<u>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>773,699</u>	<u>(55,567)</u>	<u>(60,757)</u>	<u>(12,671)</u>	<u>6,250</u>	<u>650,954</u>
Adjustment for Elimination of Accumulated Depreciation of Developer Fees	-	-	-	-	56,250	56,250
<u>TOTAL CHANGE IN NET ASSETS</u>	<u>773,699</u>	<u>(55,567)</u>	<u>(60,757)</u>	<u>(12,671)</u>	<u>62,500</u>	<u>707,204</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,134,452</u>	<u>159,492</u>	<u>5,746,385</u>	<u>(13,307)</u>	<u>(370,000)</u>	<u>6,657,022</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,908,151</u>	<u>\$ 103,925</u>	<u>\$ 5,685,628</u>	<u>\$ (25,978)</u>	<u>\$ (307,500)</u>	<u>\$ 7,364,226</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

SCHEDULE III - CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2016

	<u>PROJECT</u>		<u>1145</u>		<u>CONSOLIDATED</u>
	<u>PLACE</u>	<u>GATEHOUSE</u>	<u>WASHINGTON</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
			<u>ST. TRUST</u>		
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash	\$ 643,220	\$ 98,885	\$ 72,813	\$ -	\$ 814,918
Investments	169,277	-	-	-	169,277
Accounts Receivable, Program Services	263,331	1,480	-	-	264,811
Accounts Receivable, Residents	-	3,255	-	-	3,255
Contributions Receivable	50,000	-	-	-	50,000
Inventory	6,971	-	-	-	6,971
Prepaid Expenses	7,686	3,319	-	-	11,005
Total Current Assets	<u>1,140,485</u>	<u>106,939</u>	<u>72,813</u>	<u>-</u>	<u>1,320,237</u>
<u>PROPERTY AND EQUIPMENT:</u>					
Property and Equipment	459,299	10,217,663	-	(250,000)	10,426,962
Less: Accumulated Depreciation	<u>(388,630)</u>	<u>(2,778,398)</u>	<u>-</u>	<u>-</u>	<u>(3,167,028)</u>
Net Property and Equipment	<u>70,669</u>	<u>7,439,265</u>	<u>-</u>	<u>(250,000)</u>	<u>7,259,934</u>
<u>OTHER ASSETS:</u>					
Restricted Deposits and Funded Reserves	-	237,815	-	-	237,815
Investment in Gatehouse	120,000	-	-	(120,000)	-
Due from Related Party	<u>198,522</u>	<u>27,998</u>	<u>(77,600)</u>	<u>(148,920)</u>	<u>-</u>
Total Other Assets	<u>318,522</u>	<u>265,813</u>	<u>(77,600)</u>	<u>(268,920)</u>	<u>237,815</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,529,676</u>	<u>\$ 7,812,017</u>	<u>\$ (4,787)</u>	<u>\$ (518,920)</u>	<u>\$ 8,817,986</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable	\$ 65,889	\$ 39	\$ -	\$ -	\$ 65,928
Accrued Expenses	137,132	13,816	6,263	-	157,211
Deferred Revenue	32,711	2,857	2,257	-	37,825
Due to Related Party	-	148,920	-	(148,920)	-
Total Current Liabilities	<u>235,732</u>	<u>165,632</u>	<u>8,520</u>	<u>(148,920)</u>	<u>260,964</u>
<u>LONG-TERM LIABILITIES:</u>					
Long-Term Deferred Payment Debt	-	1,900,000	-	-	1,900,000
Total Long-Term Liabilities	<u>-</u>	<u>1,900,000</u>	<u>-</u>	<u>-</u>	<u>1,900,000</u>
<u>TOTAL LIABILITIES</u>	<u>235,732</u>	<u>2,065,632</u>	<u>8,520</u>	<u>(148,920)</u>	<u>2,160,964</u>
<u>NET ASSETS:</u>					
Unrestricted Net Assets	1,134,452	5,746,385	(13,307)	(370,000)	6,497,530
Temporarily Restricted Net Assets	<u>159,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,492</u>
Total Net Assets	<u>1,293,944</u>	<u>5,746,385</u>	<u>(13,307)</u>	<u>(370,000)</u>	<u>6,657,022</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,529,676</u>	<u>\$ 7,812,017</u>	<u>\$ (4,787)</u>	<u>\$ (518,920)</u>	<u>\$ 8,817,986</u>

INTERSEMINARIAN - PROJECT PLACE, INC. AND SUBSIDIARIES

SCHEDULE IV - CONSOLIDATING SCHEDULE OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	<u>PROJECT PLACE</u>		<u>GATEHOUSE</u>	<u>1145 WASHINGTON STREET TRUST</u>		<u>CONSOLIDATED</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Program Revenues:</i>						
Government Grants & Contracts	\$ 1,721,016	\$ -	\$ -	\$ -	\$ -	\$ 1,721,016
Commercial Products & Services	441,753	-	-	-	(31,200)	410,553
Rental Income	-	-	182,015	-	-	182,015
<i>Gifts, Grants and Contributions:</i>						
Gifts, Grants & Contributions	605,934	194,500	28,000	-	(178,200)	650,234
Special Event Proceeds	228,254	-	-	-	-	228,254
Direct Cost of Benefits to Donors	(46,765)	-	-	-	-	(46,765)
<i>Other Revenues:</i>						
Dues Income	-	-	-	122,981	(93,476)	29,505
Miscellaneous Revenues	30,956	-	1,869	-	-	32,825
Investment Return	2,974	-	156	-	-	3,130
<i>Reclassification of Net Assets:</i>						
Satisfaction of Donor Restrictions	227,953	(227,953)	-	-	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,212,075</u>	<u>(33,453)</u>	<u>212,040</u>	<u>122,981</u>	<u>(302,876)</u>	<u>3,210,767</u>
<u>FUNCTIONAL EXPENSES BEFORE DEPRECIATION:</u>						
<i>Program Services:</i>						
Program Services	2,343,869	-	191,446	-	(302,876)	2,232,439
<i>Supporting Services:</i>						
Property Management	-	-	-	127,995	-	127,995
Administrative	421,409	-	-	-	-	421,409
Fund Raising	156,470	-	-	-	-	156,470
<u>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</u>	<u>2,921,748</u>	<u>-</u>	<u>191,446</u>	<u>127,995</u>	<u>(302,876)</u>	<u>2,938,313</u>
<u>CHANGE IN NET ASSETS BEFORE DEPRECIATION</u>	<u>290,327</u>	<u>(33,453)</u>	<u>20,594</u>	<u>(5,014)</u>	<u>-</u>	<u>272,454</u>
Depreciation Expense	(172,142)	-	(114,760)	-	-	(286,902)
<u>CHANGE IN NET ASSETS</u>	<u>118,185</u>	<u>(33,453)</u>	<u>(94,166)</u>	<u>(5,014)</u>	<u>-</u>	<u>(14,448)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>1,016,267</u>	<u>192,945</u>	<u>5,840,551</u>	<u>(8,293)</u>	<u>(370,000)</u>	<u>6,671,470</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,134,452</u>	<u>\$ 159,492</u>	<u>\$ 5,746,385</u>	<u>\$ (13,307)</u>	<u>\$ (370,000)</u>	<u>\$ 6,657,022</u>