

**PROJECT PLASE, INC.**

**Financial Statements  
and  
Independent Auditors' Report**

**Years Ended June 30, 2008 and 2007**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Project Plase, Inc.

We have audited the accompanying statements of financial position of Project Plase, Inc. (a non-profit corporation) as of June 30, 2008 and 2007, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Plase, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009 on our consideration of the Project Plase, 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 the results of that testing, and not provide an opinion on the internal control over financial reporting 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*. Such information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abrams, Foster, Nole-Williams, P.A.*

Abrams, Foster, Nole & Williams, P.A.  
Certified Public Accountants  
Baltimore, Maryland

February 2, 2009

**PROJECT PLASE, INC.**  
**Statements of Financial Position**  
**June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 631,977	\$ 380,454
Client cash	109,806	94,681
Accounts receivable	361,273	593,069
Prepaid expenses	89,402	50,273
Total current assets	1,192,458	1,118,477
<b>Restricted Deposits</b>		
Replacement fund	10,028	9,192
Residents' security deposits	6	21
Total restricted deposits	10,034	9,213
<b>Property and Equipment</b>		
Land	48,794	48,794
Building	2,910,136	2,902,658
Furniture & equipment	552,221	543,480
Automobiles	16,300	16,300
Artwork	5,235	5,235
Total property and equipment	3,532,686	3,516,467
Less: accumulated depreciation	(1,698,225)	(1,627,530)
Net property and equipment	1,834,461	1,888,937
Total Assets	\$ 3,036,953	\$ 3,016,627

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	\$ 870	\$ 22,749
Accrued expenses	175,447	135,334
Residents' security deposit/escrow	550	550
Due to HUD	-	794
Client payables	127,913	113,193
Mortgage payable - current	17,313	16,166
Total current liabilities	322,093	288,786
<b>Long Term Liabilities</b>		
Mortgage payable	340,167	357,383
Total liabilities	662,260	646,169
<b>Net Assets</b>		
Unrestricted net assets		
General operating	2,381,910	2,384,013
Plase Apartments	(44,217)	(50,555)
Temporarily restricted	37,000	37,000
Total net assets	2,374,693	2,370,458
Total Liabilities and Net Assets	\$ 3,036,953	\$ 3,016,627

"See Accompanying Notes"

**PROJECT PLASE, INC.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Changes in Unrestricted Net Assets</b>		
Public Support and Revenue		
Federal support	\$ 3,058,740	\$ 3,004,452
State and other support	166,041	199,601
Contributions and other revenue	341,977	235,441
Rental income	33,876	76,672
Total public support and revenue	3,600,634	3,516,166
Net Assets Released from Restrictions		
Satisfaction of program restrictions	-	15,000
Total unrestricted public support and revenue	3,600,634	3,531,166
Expenses		
Program Services		
Housing services	84,267	107,306
Shelter services	1,617,017	1,484,175
Outreach services	479,373	432,088
SRO	116,242	120,474
Shelter plus care	965,269	988,763
Total program services	3,262,168	3,132,806
Supporting Services		
General & administrative	276,398	285,966
Fundraising	57,833	90,637
Total supporting services	334,231	376,603
Total unrestricted expenses	3,596,399	3,509,409
Increase in unrestricted net assets	4,235	21,757
Changes in Temporarily Restricted Net Assets		
Grant support	-	37,000
Net assets released from restrictions	-	(15,000)
Increase in temporarily restricted net assets	-	22,000
Increase in net assets	4,235	43,757
Net assets at beginning of year	2,370,458	2,326,701
Net Assets at End of Year	\$ 2,374,693	\$ 2,370,458

"See Accompanying Notes"

**PROJECT PLASE, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2008**

<u>Expenses</u>	<u>Program Services</u>					<u>Supporting Services</u>					<u>Total</u>
	<u>Housing</u>	<u>Shelter</u>	<u>Outreach</u>	<u>SRO</u>	<u>Shelter + Care</u>	<u>Subtotal</u>	<u>Support Svc G &amp; A</u>	<u>Marketing/ Fundraising</u>	<u>2008</u>		
Personnel and fringe benefits	\$ 10,362	\$ 1,230,626	\$ 412,318	\$ 63,458	\$ -	\$ 1,716,764	\$ 149,182	\$ 33,643	\$ 1,899,589		
Occupancy and housing	19,120	99,400	13,479	18,462	965,269	1,115,730	23,243	2,468	1,141,441		
Professional and consulting	5,247	67,884	14,313	1,984	-	89,428	52,851	1,880	144,159		
Client food, lab and supplies	565	98,264	16,779	3,620	-	119,228	-	-	119,228		
Repairs and maintenance	12,312	39,852	2	8,874	-	61,040	2,387	760	64,187		
Insurance	11,594	22,667	3,000	4,605	-	41,866	7,087	1,000	49,953		
Interest	12,327	3,925	1,400	2,465	-	20,117	1,799	-	21,916		
Miscellaneous expense	15	1,899	3,062	359	-	5,335	6,404	3,883	15,622		
Postage, printing, and copier	-	12,759	3,547	281	-	16,587	9,282	9,309	35,178		
Training, dues and licenses	303	8,377	1,700	216	-	10,596	3,991	1,360	15,947		
Office supplies	222	3,404	373	168	-	4,167	13,122	1,030	18,319		
Depreciation	12,200	27,960	9,400	11,750	-	61,310	7,050	2,500	70,860		
<b>Total Expenses</b>	<b>\$ 84,267</b>	<b>\$ 1,617,017</b>	<b>\$ 479,373</b>	<b>\$ 116,242</b>	<b>\$ 965,269</b>	<b>\$ 3,262,168</b>	<b>\$ 276,398</b>	<b>\$ 57,833</b>	<b>\$ 3,596,399</b>		
Percent of total expenses	2%	45%	13%	3%	27%	90%	8%	2%	100%		

"See Accompanying Notes"

**PROJECT PLASE, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2007**

Expenses	Program Services					Supporting Services				Total 2007
	Housing	Shelter	Outreach	SRO	Shelter + Care	Subtotal	Support Svc G & A	Marketing/ Fundraising	Total	
Personnel and fringe benefits	\$ 11,598	\$ 1,096,574	\$ 343,686	\$ 66,027	\$ -	\$ 1,517,885	\$ 142,165	\$ 69,320	\$ 1,729,370	
Occupancy and housing	17,303	105,465	15,285	19,696	988,763	1,146,512	32,442	2,826	1,181,780	
Professional and consulting	7,253	76,920	15,133	1,866	-	101,172	46,130	1,800	149,102	
Client food, lab and supplies	78	88,862	25,116	2,292	-	116,348	-	-	116,348	
Repairs and maintenance	24,994	39,124	2,275	4,859	-	71,252	3,381	105	74,738	
Insurance	14,902	21,544	2,972	4,317	-	43,735	5,572	1,000	50,307	
Interest	12,725	3,889	1,600	2,525	-	20,739	14,619	-	35,358	
Miscellaneous expense	2,055	940	4,933	316	-	8,244	6,926	4,136	19,306	
Postage, printing, and copier	-	12,984	3,279	317	-	16,580	9,646	7,087	33,313	
Training, dues and licenses	258	7,074	452	194	-	7,978	2,592	609	11,179	
Office supplies	91	4,629	357	65	-	5,142	9,993	754	15,889	
Depreciation	16,049	26,170	17,000	18,000	-	77,219	12,500	3,000	92,719	
<b>Total Expenses</b>	<b>\$ 107,306</b>	<b>\$ 1,484,175</b>	<b>\$ 432,088</b>	<b>\$ 120,474</b>	<b>\$ 988,763</b>	<b>\$ 3,132,806</b>	<b>\$ 285,966</b>	<b>\$ 90,637</b>	<b>\$ 3,509,409</b>	
Percent of total expenses	3%	42%	12%	4%	28%	89%	8%	3%	100%	

"See Accompanying Notes"

**PROJECT PLASE, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2008 and 2007**

	2008	2007
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 4,235	\$ 43,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,860	92,719
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Client cash/shelter cash	(15,124)	(17,223)
Accounts receivable	231,797	(173,767)
Prepaid expenses	(39,129)	45,252
Restricted deposits	(821)	31
Increase (decrease) in liabilities		
Accounts payable	(21,879)	18,950
Accrued expenses	40,112	17,126
Other accrued expenses	(794)	569
Client payables	14,720	14,695
Total adjustments	<u>279,742</u>	<u>(1,648)</u>
Net cash provided by operating activities	283,977	42,109
<b>Cash Flows from Investing Activities</b>		
Property and equipment additions	<u>(16,385)</u>	<u>(19,402)</u>
Net cash used by investing activities	(16,385)	(19,402)
<b>Cash Flow from Financing Activities</b>		
Principal payments on debt	<u>(16,069)</u>	<u>(15,021)</u>
Net cash used by financing activities	(16,069)	(15,021)
Net increase decrease in cash	251,523	7,686
Cash, beginning of year	<u>380,454</u>	<u>372,768</u>
Cash, End of Year	<u>\$ 631,977</u>	<u>\$ 380,454</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	<u>\$ 21,915</u>	<u>\$ 22,220</u>

"See Accompanying Notes"

**PROJECT PLASE, INC.**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Accounting

The financial statements of Project Plase, Inc. (Organization) are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting with a fiscal year ending June 30.

These financial statements include all transactions of the Organization's Plase Apartments program that provides low-income, HUD-subsidized housing for disabled citizens.

B. Donated Materials and Services

Donated materials, equipment and housing are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt.

C. Public Support and Revenue

A major portion of the Organization's support is provided by purchased service agreements and grants from private, city, state and Federal agencies which are used to provide shelter related services for homeless and formerly homeless citizens.

Contributions received are recorded as unrestricted funds, unless restricted by the donor.

D. Property and Equipment

Major expenditures for buildings, building renovations, leasehold improvements, vehicles, furniture and equipment are capitalized at cost. Expenditures of less than \$500 are charged to expense as incurred. Donated property and equipment is recorded at fair-market value on the date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets capitalized.

**PROJECT PLASE, INC.**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Property and Equipment (Continued)

<u>Description</u>	<u>Years</u>
Building	20 to 40
Furniture and equipment	5
Leasehold improvements	5 to 20
Vehicles	5

Depreciation expense for the years ended June 30, 2008 and 2007 was \$70,860 and \$92,626, respectively.

E. Tax Status

Project Plase, Inc. is exempt from Federal taxation as a charitable organization under Section 501(c)(3) of the Internal Revenue Code; however, the Organization is required to file an informational return, Form 990. Contributions are tax deductible.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

G. Accounts Receivable

Accounts receivables at June 30 are considered fully collectible. No allowance for doubtful accounts is considered necessary.

**PROJECT PLASE, INC.**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**2. RESTRICTED DEPOSITS**

The Organization's Plase Apartments has restricted deposits that are required by HUD, and HUD approval is required before they may be disbursed.

	<u>2008</u>	<u>2007</u>
Replacement reserves are restricted for operational use	\$ 10,028	\$ 9,192
Tenant security deposits held to be reimbursed to tenants	<u>6</u>	<u>21</u>
	<u>\$ 10,034</u>	<u>\$ 9,213</u>

**3. CLIENT PAYABLES**

The client payables are funds held in trust as of June 30, as follows:

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Residential clients	\$ 87,465	\$ 74,426	\$13,039
Shelter clients	<u>40,448</u>	<u>38,767</u>	<u>1,681</u>
Total	<u>\$ 127,913</u>	<u>\$ 113,193</u>	<u>\$14,720</u>

Client receipts and disbursements are operational assets of the client and the balance remaining belongs to the client.

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of funds restricted by donor, grant or contract requirements. Revenues are restricted until such requirements are satisfied. During the years ended June 30, 2008 and 2007, \$0 and \$15,000, respectively, were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors. Temporarily restricted net assets as of June 30, 2008 and 2007 were \$37,000.

**PROJECT PLASE, INC.**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**5. MORTGAGES PAYABLE**

Mortgages payable are secured by property. Balances outstanding at June 30 are as follows:

	Rate/ Monthly <u>Payments</u>	Original Mortgage & <u>Maturity</u>	<u>2008</u>	<u>2007</u>
Bank of America	8.75% \$623	\$61,500 10/2010	\$ 16,539	\$ 22,711
Maryland Community Development Administration	4% \$955	\$200,000 12/2031	173,965	178,382
Bank of America	7.25% \$1,525	\$183,640 5/2023	<u>166,976</u>	<u>172,456</u>
Total			357,480	373,549
Less: current portion			<u>17,314</u>	<u>16,166</u>
Long-term portion			<u>\$340,166</u>	<u>\$357,383</u>

Debt payments for the next five years and thereafter are as follows:

2009	\$ 17,314
2010	18,556
2011	15,786
2012	13,136
2013	13,972
Thereafter	<u>278,716</u>
	<u>\$357,480</u>

**PROJECT PLASE, INC.**  
**Notes to Financial Statements**  
**June 30, 2008 and 2007**

**6. CONTINGENT LIABILITIES AND COMMITMENTS**

In April 2008, the Organization entered into a letter of intent with Coldwell Banker Commercial (acting as escrow agent) to purchase property from Investment Partners, LLC of Maryland. The property consists of 33,000 square feet of space, all located at 1801 Falls Road in Baltimore, Maryland, and has a purchase price of two million four hundred thousand dollars (\$2,400,000). An initial deposit of \$48,000 was paid to Coldwell early in 2008, and an additional deposit of \$60,000 was due to Coldwell in October 2008. The initial contract stated that the Organization was to find financing for the remaining balance by February 10, 2009. However, the Organization received an amendment to extend the period to April 20, 2009.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**PROJECT PLASE, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b><u>Major Programs</u></b>		
U.S. Department of Health and Human Services Passed through Associated Black Charities Ryan White Care Act, Title I HIV Emergency Grant		
Housing Program	93.914	591,309
Outreach Program	93.914	155,204
Psych. Social Program	93.914	<u>18,541</u>
		765,054
U.S. Department of Health and Human Services Passed through the City of Baltimore Ryan White II Consortia Services Program	93.917	102,157
U.S. Department of Housing & Urban Development Passed through the City of Baltimore Emergency Shelter Grants Program	14.231	104,381
Passed through Health Care for the Homeless Emergency Shelter Grants Program	14.231	<u>115,489</u>
Total Major Programs		1,087,081
<b><u>Other Financial Assistance</u></b>		
U.S. Department of Housing & Urban Development Passed through the City of Baltimore Shelter Plus Care	14.238	976,030
Supportive Housing Program	14.235	506,782
Housing Opportunities for Persons with AIDS	14.241	<u>257,410</u>
		1,740,222
U.S. Department of Housing & Urban Development Housing Assistance Payments	14.195	62,086
U.S. Department of Veterans Affairs V.A. Homeless Provider Grant and Per Diem Program	64.024	94,812
U.S. Department of Health & Human Services Passed through Baltimore Mental Health Systems Block Grants for Community Mental Health Services	93.958	61,999
U.S. Department of Homeland Security Federal Emergency Food & Shelter National Board Program	97.024	<u>12,540</u>
Total Other Financial Assistance		<u>1,971,659</u>
Total Federal Awards		<u>\$ 3,058,740</u>

"See Notes to Schedule of Expenditures of Federal Awards"

**PROJECT PLASE, INC.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2008**

**1. Scope of Audit Pursuant to OMB Circular A-133**

All Federal grant operations of the Organization are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted on the Schedule of Expenditures of Federal Awards. These major programs, as noted, represent Federal award programs and other grants with cash and noncash expenditures in excess of \$300,000 to ensure coverage of at least 25 percent of Federally granted funds.

**2. Basis of Presentation**

The Organization prepares its financial statements using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards is also in conformity with the accrual basis of accounting.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Project Plase, Inc.

We have audited the financial statements of Project Plase, Inc, Inc. (Organization), as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

However, during our audit, we noted certain matters involving the internal control and other operational matters. These matters are summarized in a separate letter, and do not affect our report dated February 2, 2009 on the financial statements of the Organization.

This report is intended solely for the information of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.



Abrams, Foster, Nole & Williams, P.A.  
Certified Public Accountants  
Baltimore, Maryland

February 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
MAJOR PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Project Plase, Inc.

**Compliance**

We have audited the compliance of Project Plase, Inc. (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

## Internal Control over Compliance

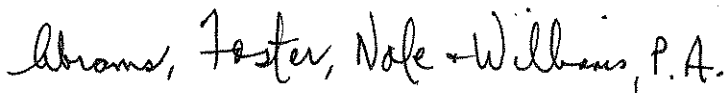
The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an Organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

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

This report is intended solely for the information of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.



Abrams, Foster, Nole & Williams, P.A.  
Certified Public Accountants  
Baltimore, Maryland

February 2, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PROJECT PLASE, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes     X  no
  
- Reportable condition(s) identified that is not considered to be material weaknesses? \_\_\_\_\_ yes     X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes     X  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified \_\_\_\_\_ yes     X  no
  
- Reportable condition(s) identified that is not considered to be material weakness(es)? \_\_\_\_\_ yes     X  none reported

Type of auditor’s report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes     X  no

**PROJECT PLASE, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

**Section I – Summary of Auditor’s Results (Continued)**

Identification of major program:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.231	Emergency Shelter Grants Program
93.914	Ryan White Care Act Title I HIV Emergency Grant
93.917	Ryan White II Consortia Services Program

Dollar threshold used to distinguish  
between Type A and Type B programs:      \$300,000

Auditee qualified as low-risk auditee?        X   yes      \_\_\_\_\_ no

**Section II                      Financial Statement Findings**

No findings were reported.

**Section III                    Federal Award Findings and Questioned Costs**

None

**Section IV                    Schedule of Prior-Year Findings**

None.