



PREBLE STREET

Financial Statements

June 30, 2018 and 2017

PREBLE STREET
Financial Statements
Years ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors and Management
of Preble Street

Report on the Financial Statements

We have audited the accompanying financial statements of Preble Street (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Preble Street as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of Preble Street's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Preble Street's 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 Preble Street's internal control over financial reporting and compliance.



December 18, 2018

South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash	\$ 2,325,654	2,226,278
Accounts receivable	42,732	64,582
Pledges receivable, current portion	155,430	163,150
Grants receivable	728,021	695,012
Prepaid expenses	133,710	162,322
Inventory	3,394	38,215
Total current assets	3,388,941	3,349,559
Investments:		
Investments	3,755,554	3,537,433
Beneficial interest in perpetual trust	158,022	153,937
Total investments	3,913,576	3,691,370
Property and equipment:		
Land	422,930	422,930
Buildings and improvements	8,038,667	8,038,667
Equipment	767,289	776,352
Vehicles	25,500	25,500
	9,254,386	9,263,449
Less accumulated depreciation	(3,553,866)	(3,302,739)
Net property and equipment	5,700,520	5,960,710
Other assets:		
Pledges receivable, non-current, net	4,951	77,861
Unemployment trust	41,473	29,121
Deferred compensation plan assets (457(b))	121,950	115,728
Total other assets	168,374	222,710
Total assets	\$ 13,171,411	13,224,349
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	172,130	131,996
Accrued expenses	596,900	554,495
Funds held for others	-	132,499
Deferred revenue	-	4,208
Capital lease, current portion	1,084	3,188
Total current liabilities	770,114	826,386
Capital lease, net of current portion	-	1,084
Total liabilities	770,114	827,470
Net assets:		
Unrestricted:		
Undesignated	2,513,522	2,282,141
Board-designated investments	1,603,303	1,557,197
Investment in property and equipment	5,699,436	5,956,438
Total unrestricted net assets	9,816,261	9,795,776
Temporarily restricted	1,027,014	1,047,166
Permanently restricted	1,558,022	1,553,937
Total net assets	12,401,297	12,396,879
Total liabilities and net assets	\$ 13,171,411	13,224,349

See accompanying notes to financial statements.

PREBLE STREET
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:								
Government grant income	\$ 5,783,434	-	-	5,783,434	5,611,056	-	-	5,611,056
Fee for service income	302,455	-	-	302,455	248,430	-	-	248,430
Contributions	4,270,699	196,617	-	4,467,316	3,630,037	666,828	-	4,296,865
Donated services	168,300	-	-	168,300	171,970	-	-	171,970
Donated goods	2,047,867	-	-	2,047,867	2,175,415	-	-	2,175,415
United Way	481,782	-	-	481,782	464,976	-	-	464,976
Other income	12,905	-	-	12,905	33,273	-	-	33,273
Interest and dividend income, net	67,366	74,087	-	141,453	55,406	6,210	-	61,616
Realized / unrealized gain on investments	85,568	97,776	-	183,344	210,129	216,482	-	426,611
Change in fair value of perpetual trust	-	-	4,085	4,085	-	-	11,212	11,212
Total revenue and support	13,220,376	368,480	4,085	13,592,941	12,600,692	889,520	11,212	13,501,424
Net assets released from restrictions:	388,632	(388,632)	-	-	795,953	(795,953)	-	-
Total revenue, support, and reclassifications	13,609,008	(20,152)	4,085	13,592,941	13,396,645	93,567	11,212	13,501,424
Program expenses:								
Food programs	2,774,246	-	-	2,774,246	2,866,656	-	-	2,866,656
Resource Center	1,649,499	-	-	1,649,499	1,475,050	-	-	1,475,050
Veterans Services	2,005,638	-	-	2,005,638	1,854,033	-	-	1,854,033
Maine Hunger Initiative	194,737	-	-	194,737	251,681	-	-	251,681
Community Advocacy	142,064	-	-	142,064	159,235	-	-	159,235
Teen Center	667,731	-	-	667,731	722,056	-	-	722,056
Joe Kreisler Teen Shelter	654,813	-	-	654,813	662,461	-	-	662,461
Clinical Intervention Team	-	-	-	-	275,741	-	-	275,741
Logan Place	603,156	-	-	603,156	581,186	-	-	581,186
Florence House	1,473,946	-	-	1,473,946	1,401,917	-	-	1,401,917
First Place	599,341	-	-	599,341	342,797	-	-	342,797
Anti-Trafficking	454,892	-	-	454,892	272,781	-	-	272,781
Huston Commons	615,174	-	-	615,174	506,852	-	-	506,852
Health Services	218,986	-	-	218,986	107,316	-	-	107,316
Total program expenses	12,054,223	-	-	12,054,223	11,479,762	-	-	11,479,762
Supporting services:								
Administration	1,114,812	-	-	1,114,812	1,060,090	-	-	1,060,090
Fundraising	419,488	-	-	419,488	405,230	-	-	405,230
Total supporting services	1,534,300	-	-	1,534,300	1,465,320	-	-	1,465,320
Total expenses	13,588,523	-	-	13,588,523	12,945,082	-	-	12,945,082
Change in net assets	20,485	(20,152)	4,085	4,418	451,563	93,567	11,212	556,342
Net assets, beginning of year	9,795,776	1,047,166	1,553,937	12,396,879	9,344,213	953,599	1,542,725	11,840,537
Net assets, end of year	\$ 9,816,261	1,027,014	1,558,022	12,401,297	9,795,776	1,047,166	1,553,937	12,396,879

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2018

	Program services													Supporting services			Total expenses	
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Joe Kreisler Teen Shelter	Logan Place	Florence House	First Place	Anti-Trafficking	Huston Commons	Health Services	Total	Administration	Fundraising		Total
Salaries	\$ 579,506	840,190	913,038	98,867	90,402	372,246	440,544	447,111	907,372	223,662	278,420	453,393	92,257	5,737,008	639,027	285,772	924,799	6,661,807
Payroll taxes and employee benefits	135,429	197,017	228,761	25,128	23,393	92,633	109,153	103,680	214,326	57,143	70,980	110,624	22,552	1,390,819	239,330	73,013	312,343	1,703,162
Outside services	218	18,856	339	23	20	4,747	109	79	1,599	72	72	84	32	26,250	166	35	201	26,451
Donated goods	1,648,637	362,230	2,200	200	-	16,221	-	6,304	5,744	-	800	2,490	328	2,045,154	2,713	-	2,713	2,047,867
Donated services	7,690	23,110	9,824	41,037	23	12,400	108	9,225	34,754	2,898	12,353	11,763	3,027	168,212	19	69	88	168,300
Program expenses	49,968	13,218	435,925	604	854	3,487	734	5,326	9,736	82,121	18,386	4,013	19,445	643,817	2,842	1,998	4,840	648,657
Subcontracts	-	2,716	166,652	31	-	32,000	-	-	24,344	192,262	20,975	-	-	438,980	-	-	-	438,980
Food	132,927	5,220	6,360	300	240	37,833	-	7,000	84,949	2,600	460	6,200	1,060	285,149	-	-	-	285,149
Occupancy	117,858	93,784	54,169	1,251	1,187	30,307	35,752	3,211	114,689	3,188	4,493	2,899	35,885	498,673	35,276	4,213	39,489	538,162
Office supplies	4,516	5,838	9,039	143	151	2,483	4,840	1,105	8,755	586	581	830	418	39,285	10,567	761	11,328	50,613
Technology	11,125	14,292	41,228	1,360	2,678	6,121	5,784	6,444	27,450	10,764	16,589	5,547	2,143	151,525	68,642	13,165	81,807	233,332
Printing	-	647	252	-	-	194	-	-	102	18	150	31	-	1,394	14,578	9,798	24,376	25,770
Insurance	5,606	5,255	9,455	698	604	2,708	3,008	2,474	5,833	2,266	1,765	2,590	871	43,133	1,116	1,248	2,364	45,497
Professional fees	3,181	2,843	5,259	397	325	1,508	1,711	1,357	3,285	1,164	917	1,449	460	23,856	15,858	672	16,530	40,386
Postage	1,030	1,587	2,363	127	113	506	555	462	1,091	414	328	481	161	9,218	472	4,694	5,166	14,384
Staff development	5,265	7,090	23,746	1,833	1,693	6,982	5,809	3,819	15,072	6,891	9,366	4,350	1,432	93,348	16,187	3,832	20,019	113,367
Travel	3,144	2,759	57,814	2,784	3,063	449	272	869	1,936	3,465	9,074	1,764	685	88,078	1,482	81	1,563	89,641
Volunteer support	12,827	44	81	17,667	5	21	23	20	47	21	15	21	46	30,838	1,920	264	2,184	33,022
Training/advocacy stipend	-	-	-	-	13,840	8,457	-	-	-	-	-	-	-	22,297	-	-	-	22,297
Research and evaluation	-	9,163	188	100	525	669	669	208	208	-	1,863	208	2,325	16,126	3,675	-	3,675	19,801
Cell phone	1,139	1,755	12,874	319	1,070	419	365	562	1,496	3,378	4,574	1,564	562	30,077	2,528	353	2,881	32,958
Other	3,764	5,790	10,388	700	736	2,926	3,746	3,134	6,080	3,477	2,205	4,109	569	47,624	9,213	12,874	22,087	69,711
Depreciation expense	2,723,830	1,613,404	1,989,955	193,569	140,922	635,317	613,182	602,390	1,468,868	596,390	454,366	614,410	184,258	11,830,861	1,065,611	412,842	1,478,453	13,309,314
	50,416	36,095	15,683	1,168	1,142	32,414	41,631	766	5,078	2,951	526	764	34,728	223,362	49,201	6,646	55,847	279,209
Total expenses	\$ 2,774,246	1,649,499	2,005,638	194,737	142,064	667,731	654,813	603,156	1,473,946	599,341	454,892	615,174	218,986	12,054,223	1,114,812	419,488	1,534,300	13,588,523

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2017

	Program services															Supporting services			Total expenses
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Joe Kreisler Teen Shelter	Clinical Intervention	Logan Place	Florence House	First Place	Anti-Trafficking	Huston Commons	Health Services	Total	Administration	Fundraising	Total	
Salaries	\$ 525,772	740,444	802,655	101,516	89,709	438,130	456,162	177,357	439,123	913,156	171,876	149,464	316,987	59,958	5,382,309	618,058	271,470	889,528	6,271,837
Payroll taxes and employee benefits	123,190	168,426	203,506	26,095	23,162	110,289	114,257	46,209	101,678	212,461	44,163	38,449	79,757	15,566	1,307,208	232,938	69,802	302,740	1,609,948
Outside services	-	24,503	-	500	-	-	-	-	-	1,448	2,472	-	1,045	-	29,968	12,251	-	12,251	42,219
Donated goods	1,763,623	371,137	750	72	-	24,843	-	-	2,803	7,939	-	-	690	-	2,171,857	3,558	-	3,558	2,175,415
Donated services	4,209	30,672	7,526	51,213	6,713	5,455	112	4,367	8,401	28,833	57	5,578	3,725	2,049	158,910	13,020	40	13,060	171,970
Program expenses	53,748	12,706	449,728	30,572	807	4,838	726	791	2,071	10,820	84,589	24,566	7,214	1,327	684,503	3,200	2,024	5,224	689,727
Subcontracts	-	-	79,989	-	-	32,000	-	-	-	14,565	-	25,449	-	-	152,003	-	-	-	152,003
Food	191,349	-	-	-	-	7,166	-	-	-	14,001	-	-	-	-	212,516	-	-	-	212,516
Occupancy	102,526	62,479	60,478	3,687	6,361	35,116	34,129	15,596	3,946	112,228	9,282	4,489	26,404	15,225	491,946	27,752	5,098	32,850	524,796
Office supplies	1,675	4,591	30,529	159	426	2,395	2,692	1,697	954	5,058	1,207	599	10,219	137	62,338	10,705	1,232	11,937	74,275
Technology	8,906	8,742	78,114	1,623	1,186	7,722	5,694	6,974	7,919	24,381	6,239	3,262	27,387	3,572	191,721	19,770	13,904	33,674	225,395
Printing	222	373	688	55	153	217	133	102	117	275	63	47	218	38	2,701	12,902	9,948	22,850	25,551
Insurance	5,520	5,043	8,804	1,094	788	3,610	3,283	1,436	2,891	6,758	1,485	1,208	2,202	495	44,617	1,112	1,217	2,329	46,946
Professional fees	2,862	2,549	4,601	565	423	1,871	1,684	785	1,824	7,456	737	619	1,150	786	27,912	17,887	617	18,504	46,416
Postage	1,389	1,274	2,682	278	198	915	831	363	730	1,709	376	304	556	126	11,731	885	5,788	6,673	18,404
Staff development	3,666	6,199	31,087	2,154	2,332	6,105	5,912	7,641	3,613	13,230	2,336	6,625	4,625	422	95,947	28,255	4,689	32,944	128,891
Travel	2,677	2,680	45,618	4,751	3,400	693	302	1,236	452	2,285	3,076	4,936	5,853	15	77,974	1,007	60	1,067	79,041
Volunteer support	13,553	8	14	19,775	90	532	5	4	5	1,070	2	2	3	1	35,064	3,262	101	3,363	38,427
Training/advocacy stipend	-	-	-	-	12,360	7,926	-	-	-	-	2,303	-	-	-	22,589	-	-	-	22,589
Research and evaluation	394	345	618	2,333	4,857	707	681	186	203	476	101	1,084	2,649	1,785	16,419	93	87	180	16,599
Cell phone	960	1,818	10,138	438	1,222	492	423	1,686	568	1,683	1,321	2,000	2,377	497	25,623	2,592	331	2,923	28,546
Other	2,975	3,709	7,104	509	644	2,223	2,943	837	2,104	4,456	950	1,142	1,978	293	31,867	11,241	11,384	22,625	54,492
	2,809,216	1,447,698	1,824,629	247,389	154,831	693,245	629,969	267,267	579,402	1,384,288	332,635	269,823	495,039	102,292	11,237,723	1,020,488	397,792	1,418,280	12,656,003
Depreciation expense	57,440	27,352	29,404	4,292	4,404	28,811	32,492	8,474	1,784	17,629	10,162	2,958	11,813	5,024	242,039	39,602	7,438	47,040	289,079
Total expenses	\$ 2,866,656	1,475,050	1,854,033	251,681	159,235	722,056	662,461	275,741	581,186	1,401,917	342,797	272,781	506,852	107,316	11,479,762	1,060,090	405,230	1,465,320	12,945,082

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 4,418	556,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	279,209	289,079
Change in unamortized discount	(1,517)	1,067
Realized and unrealized gain on investments	(183,344)	(426,611)
Change in value of beneficial interest in perpetual trust	(4,085)	(11,212)
(Increase) decrease in assets:		
Accounts receivable	21,850	5,203
Pledges receivable	82,147	(218,277)
Grants receivable	(33,009)	(42,825)
Prepaid expenses	28,612	(5,171)
Inventory	34,821	(13)
Unemployment trust	(12,352)	(17,686)
Increase (decrease) in liabilities:		
Accounts payable	40,134	(69,242)
Accrued expenses	42,405	73,805
Funds held for others	(132,499)	67,668
Deferred revenue	(4,208)	(31,202)
Net cash provided by operating activities	162,582	170,925
Cash flows from investing activities:		
Proceeds from sale of investments	562,566	400,812
Purchases of investments	(603,565)	(495,086)
Purchase of property and equipment	(19,019)	(75,340)
Net cash used in investing activities	(60,018)	(169,614)
Cash flows from financing activities:		
Payments on capital lease	(3,188)	(3,093)
Net cash used in financing activities	(3,188)	(3,093)
Net change in cash	99,376	(1,782)
Cash, beginning of year	2,226,278	2,228,060
Cash, end of year	\$ 2,325,654	2,226,278
Supplemental disclosures:		
Cash paid during the year for interest	\$ 86	181

See accompanying notes to financial statements.

PREBLE STREET
Notes to Financial Statements

DESCRIPTION OF PURPOSE

Preble Street (the Organization) is a nonprofit corporation whose mission is to provide accessible, barrier free services to empower people experiencing problems with homelessness, housing, hunger, and poverty, and to advocate for solutions to these problems.

Resource Center

A drop-in center open 365 days a year to meet the basic needs of approximately 400 people a day who are experiencing homelessness and poverty. Social work staff also provide outreach, case management, employment services, and connection to resources for housing, health care, mental health care, addiction treatment, legal assistance, and education to empower people to move beyond the crises in their lives.

Food Programs

The largest direct service emergency food program in northern New England, distributing 600,000 meals a year to individuals, families, youth, and seniors who are living in poverty, through:

Soup Kitchens: Operates 365 days a year at the Resource Center, Teen Center, and Florence House, to serve nutritious meals 3 times a day.

Food Pantry: Provides emergency grocery boxes to 150-190 households each week.

Teen Services

Offering safety and services 24/365 for 40-60 homeless and runaway youth each day, social work staff meet the emergency and long-term needs of young people ages 12-20, through a comprehensive program model, including:

Teen Center: Open 8am-8pm to provide meals, clothing, showers, mail, etc., as well as street outreach, case management, and on-site collaborative services connecting youth to housing, healthcare, mental health care and addiction treatment, educational/vocational services, and legal resources.

Joe Kreisler Teen Shelter: 24-bed overnight emergency shelter across the street from the Teen Center, to provide safety and support services 8pm-8am.

First Place: Supported transition-in-place housing for homeless young people, ages 18-23, providing affordable apartments and supervision and support services to assist homeless youth in establishing stable independent living.

Logan Place

Provides 30 units of safe, affordable, permanent housing and support services to help tenants achieve their goals, including living independently, re-integrating into the community, and reconnecting with families.

Florence House

Comprehensive shelter, permanent living, and 24/365 social work services for homeless women, including:

Permanent Apartments: 25 efficiency apartments with support services to assist tenants in developing skills to maintain stable independent housing, re-integrating into the community, and reconnecting with families.

Safe Haven: 15 semi-private units with support services for the most vulnerable women.

Emergency Shelter: Providing 24/365 safety, basic services, case management support, and housing assistance for 25 homeless women.

PREBLE STREET
Notes to Financial Statements, Continued

DESCRIPTION OF PURPOSE, CONTINUED

Huston Commons

Provides 24-hour permanent housing and support services for former chronically homeless adults with multiple disabilities and challenges who are developing skills to maintain independent housing in a 30-unit apartment building.

Veterans Housing Services (VHS)

Operating from offices in Portland, Lewiston, and Bangor, VHS provides rapid re-housing and homelessness prevention to ensure residential stability for veterans' households throughout Maine that are homeless or at risk. Using a collaborative and holistic approach, the program supports the housing goals of veterans in urban and rural communities with many entry points and a coordinated continuum of support and housing options.

Anti-Trafficking Coalition

Comprehensive and collaborative service coordination and support for victims of all human trafficking and exploitation—including sex trafficking and labor trafficking—focused on identifying victims, training providers in best practices, and providing outreach, emergency services, case management, and interdisciplinary service planning and intervention.

Clinical Intervention

Case managers and peer navigators work in shelters and on the streets to engage homeless individuals with mental illness or co-occurring substance use disorders, linking them to basic needs, housing, treatment, and community resources, and providing follow up and connection to mainstream resources and assistance as they develop the skills to transition from homelessness to residential stability in public and private housing.

Maine Medical Center-Preble Street Learning Collaborative

Bringing the healthcare expertise of Maine Medical Center together with the social work skills of Preble Street to provide an integrated, inter professional team that identifies and fills gaps in the health services available to disadvantaged and underserved populations in one of Maine's most diverse census tracts, as well as among the poorest and most vulnerable.

Advocacy

Advancing social and economic justice through outreach, education, and engagement in public policy discussions to improve the well-being of people experiencing poverty throughout Maine, including:

Homeless Voices for Justice: Advocating on an individual and systems basis with, and for, people who struggle with homelessness, poverty, and oppression statewide.

Maine Hunger Initiative: Strengthening Maine's emergency food system by promoting best practices and ensuring adequate nutrition for people living in poverty across Maine by leading and informing efforts to create state and national policies and programs to end hunger.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions* and FASB ASC 958-205 *Presentation of Financial Statements*. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Preble Street, and changes therein, are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Preble Street and/or the passage of time. Preble Street has elected to report all temporarily restricted assets with restrictions which are met within the same fiscal period, as unrestricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by Preble Street. Generally, the donors of the assets permit Preble Street to use all or part of the income earned on related investments for general or specific purposes.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Revenue Recognition - All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are shown as a segregated portion of unrestricted net assets on the statements of financial position.

Cash - For the purposes of the statements of cash flows, Preble Street considers all checking, savings, and repurchase accounts to be cash.

Accounts and Grants Receivable - Preble Street receives various governmental grants and contracts to provide services statewide with a concentration in southern Maine. All amounts receivable are considered fully collectible, therefore an allowance for doubtful accounts is not considered necessary.

Inventory - Inventory consists of donated and purchased food, beverages, and supplies and is stated at fair value as of the date of donation, using the first-in-first-out method. For purchased goods, inventory is stated at the lower of cost or market.

Property and Equipment - Property and equipment with a value of \$5,000 or more is capitalized at cost if purchased, or fair value at the date of the gift if donated, and is recorded as an addition to unrestricted net assets. Expenditures for minor additions are charged to expense when incurred. Depreciation is being provided using the straight-line method over the estimated useful lives of the related assets (buildings: 35 to 40 years; major improvements: 20 to 35 years; vehicles: 5 years; computers: 3 to 5 years; and other equipment: 5 to 10 years).

Indirect Costs - Preble Street allocates indirect costs to programs in accordance with a cost allocation plan, which is based on several methods that determine each program's use of indirect costs.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Grants and Contributions - Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Income Taxes - Preble Street is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Preble Street's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Preble Street qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

Preble Street follows the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*, which clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on Preble Street's financial statements related to these provisions, and no interest or penalties related to uncertain tax positions were accrued. Preble Street is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2015 through 2018.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Such reclassifications had no effect on the results of operations as previously reported.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements - During the year, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) ASU No. 2015-07, *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements. Application of this new standard was applied retrospectively to all periods presented.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. Under this ASU, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The ASU will be effective for the Organization on July 1, 2020, though early adoption is permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. The Organization is currently evaluating the impact of this ASU on the financial statements.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*. Under this ASU, the existing three categories of net assets (unrestricted, temporarily restricted, and permanently restricted) will be replaced with a simplified model that combines the temporarily and permanently restricted categories into a single category entitled “net assets with donor restrictions”; similarly, the current category of unrestricted net assets will be entitled “net assets without donor restrictions”. This ASU also requires certain new disclosures pertaining to board designated net assets, and qualitative information regarding the Organization’s liquid resources. In addition, expenses will be required to be reported by both functional category and their natural classification. ASU No. 2016-14 will be effective for the Organization beginning on July 1, 2018, with early adoption permitted. The Organization is currently evaluating the impact of this ASU on the financial statements.

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2018 and 2017. As of June 30, 2018 and 2017, Preble Street’s accounts at each such institution were insured by the Federal Deposit Insurance Corporation (FDIC) at levels set by applicable statute and regulation. In addition, in 2017 Preble Street participated in a repurchase sweep agreement at one institution, whereby certain amounts were swept into an overnight repurchase investment account. At June 30, 2017, total uninsured cash amounted to \$571,994. In 2018, Preble Street entered into a new investment sweep account with the same institution, whereby certain amounts are swept into an overnight repurchase investment account, and invested in low risk Federated Money Market Funds that are not FDIC insured. Balances of such Federated Money Market Funds amounted to \$754,415 at June 30, 2018, and are included as uninsured cash at June 30, 2018, which amounted to \$1,438,340.

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2018</u>	<u>2017</u>
Appleton Gardens	\$ 587	-
Catholic Charities of Maine	-	102,977
City of Portland	126,216	126,492
Maine State Housing Authority	48,595	97,801
Cumberland County	9,838	5,085
U.S. Department of Justice	81,339	55,452
Southern Maine Area Agency on Aging	6,657	16,220
U.S. Department Housing and Urban Development	228,069	173,113
U.S. Department of Health and Human Services	47,533	36,424
State of Maine DHHS	-	31,419
Portland Housing Authority	4,598	-
New England Coalition	3,525	-
State of Maine	13,929	-
Greater Portland Health	4,344	-
U.S. Department of Veterans Affairs	152,791	50,029
Total grants receivable	\$ 728,021	695,012

PREBLE STREET
Notes to Financial Statements, Continued

PLEDGES RECEIVABLE

In fiscal 2012, Preble Street launched a capital campaign to raise funds for the purchase and renovation of a property located at 38 Preble Street. Now fully renovated, the building serves as the new home for the Lighthouse Shelter and has been renamed the Joe Kreisler Teen Shelter, in honor of Preble Street's founder.

Contributions to this campaign came from foundations and longtime supporters of the Organization and are considered fully collectible. As a result, no allowance for uncollectible pledges is considered necessary.

Total pledges receivable for all campaigns, net of unamortized discount, are summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 155,430	163,150
One year to five years	5,100	79,527
Over five years	-	-
	160,530	242,677
Less unamortized discount of 3% and 6% at June 30, 2018 and 2017, respectively	(149)	(1,666)
	160,381	241,011
Less current portion	(155,430)	(163,150)
<u>Non-current portion</u>	\$ 4,951	77,861

CONDITIONAL PROMISES TO GIVE

In June, 2018 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2019. As this commitment carries certain conditions, the likelihood of non-fulfillment of which has been estimated by Preble Street to be more than remote, the value of this commitment has not been recorded as a receivable nor as support as of June 30, 2018, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$300,631. Should the corresponding conditions be fulfilled, this amount is due to be paid to Preble Street in full during the fiscal year ending June 30, 2019.

In May, 2017 Preble Street was awarded a three year grant from a private foundation in the amount of \$300,000. The first installment of \$100,000 was received with the grant award in fiscal 2017. The second \$100,000 installment was received in May 2018. The final installment of \$100,000, is to be paid upon a satisfactory review of the grant requirements prior to the final granting period. This grant carries certain conditions prior to the release of additional funds, the likelihood of non-fulfillment of which has been estimated by Preble Street to be more than remote. As such, the value of the remaining \$100,000 installment of this grant is not reflected as a receivable nor as support as of June 30, 2018.

PREBLE STREET
Notes to Financial Statements, Continued

INVESTMENTS

Investments are carried at fair value and consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 2,711,025	2,586,205
Certificates of deposit	140,714	-
Exchange-traded funds	831,907	853,900
Money market funds and cash equivalents	18,572	48,465
Alternative investments	53,336	48,863
Totals	\$ 3,755,554	3,537,433

For the years ended June 30, 2018 and 2017, realized and unrealized gains on investments totaled \$183,344 and \$426,611, respectively. Interest and dividend income of \$159,551 and \$78,051 for the years ended June 30, 2018 and 2017, respectively, are shown net of related fees of \$18,098 and \$16,435 for the same respective periods.

BENEFICIAL INTEREST IN PERPETUAL TRUST

Preble Street received a donation in 1997 from a donor who wished to establish an endowment fund for Preble Street to assist low income individuals achieve employment and self-sufficiency. This fund was established through an agreement with the United Way of Greater Portland Foundation. It is known as the Preble Street Resource Center Self Sufficiency Endowment Fund.

The United Way of Greater Portland Foundation manages and oversees the investment of the assets of the fund. The Preble Street Board of Directors has sole discretion as to the use of the distributable income each year, which is equal to 4.5% of the average portfolio value of the fund over the prior three years. If the fund's value exceeds \$100,000, the Preble Street Board of Directors may elect to expend more than the income generated in a specific year, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals. As of June 30, 2018 and 2017, the balances in this account were \$158,022 and \$153,937, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT

At June 30, 2018 and 2017, Preble Street had Board-designated endowment funds totaling \$1,603,303 and \$1,557,197, respectively, and donor-restricted endowment funds totaling \$1,864,618 and \$1,721,430, respectively. The purpose of these funds is to generate income to be used to provide annual support to the ongoing operations of the Organization. Preble Street has adopted the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, Preble Street is required to provide the following disclosures relating to its endowment activities.

Relevant Law - Preble Street conducts its activities primarily in Portland, Maine, and accordingly, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the State of Maine's legislature. In accordance with that statute, Preble Street has interpreted State law to require all realized and unrealized gains and losses on permanently restricted investments to be classified as temporarily restricted net assets until appropriated by the Board of Directors. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanently restricted endowment investments is reported as increases (decreases) in temporarily restricted endowment investments until appropriated by the Board, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Endowment Spending Policy - The responsibility of setting the spending policy for the Board-designated and donor-restricted endowments shall rest with the Executive Committee of the Board of Directors, subject to the approval of the entire Board of Directors. The amount available to help meet the annual operating needs of Preble Street shall be based upon the following principles:

- No portion of the Board-designated endowment fund will be spent until the value of the pool equals or exceeds \$1,050,000 at the end of the fiscal year.
- Donor-restricted endowment fund agreement mandates that no spending is allowed that would make the value of the investment less than the original corpus amount of \$1,400,000.
- Thereafter, the endowment funds can be spent up to an annual cap calculated at five percent of the average total fund value, as of the end of each of the immediately preceding four fiscal years, net of fees and all other expenses. For purposes of calculating this four-year average, fiscal years before which the net value of the funds was not at \$1,050,000 as of the end of the fiscal year, shall be ignored.
- This is a maximum amount and Preble Street can elect to spend less should it choose to do so. In fiscal years 2018 and 2017, Preble Street utilized 2.81% and 3.45% from its endowment funds, respectively.

Distributions from the Board-designated endowment were \$93,000 and \$75,000, in 2018 and 2017, respectively. There were no distributions made from the donor-restricted endowment fund in 2018 or 2017, respectively.

Endowment Investment Policy - The primary objective of Preble Street's endowment fund is to provide, over time, an increasing flow of real income (as defined by the spending policy) to help support the annual operating budget of Preble Street. The investment policy is directed toward maximizing such a flow of income, measured in terms of total return balanced against prudent risks, over the long term.

The overall investment philosophy will be moderately conservative, allowing for equity investments but with a relatively low level of risk tolerance. Both equity and fixed income investments will be prudently diversified with a blend of equities, bonds, and cash being recommended by the investment committee. All long range investments of the endowment fund will consist of either cash or publicly traded securities.

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

Preble Street's endowment balances were comprised of the following at June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment	\$ -	306,596	1,558,022	1,864,618
Board-designated endowment	1,603,303	-	-	1,603,303
Totals	\$ 1,603,303	306,596	1,558,022	3,467,921

Changes in Preble Street's endowment balances for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,557,197	167,493	1,553,937	3,278,627
Contributions	-	-	-	-
Investment return:				
Investment income, net	59,666	62,108	-	121,774
Appreciation	79,440	76,995	4,085	160,520
Total investment return	139,106	139,103	4,085	282,294
Appropriation of endowment Assets for expenditure	(93,000)	-	-	(93,000)
Endowment net assets, end of year	\$ 1,603,303	306,596	1,558,022	3,467,921

Preble Street's endowment balances were comprised of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment	\$ -	167,493	1,553,937	1,721,430
Board-designated endowment	1,557,197	-	-	1,557,197
Totals	\$ 1,557,197	167,493	1,553,937	3,278,627

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

Changes in Preble Street's endowment balances for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,374,773	-	1,542,725	2,917,498
Contributions	-	-	-	-
Investment return:				
Investment income, net	47,336	-	-	47,336
Appreciation	210,088	167,493	11,212	388,793
Total investment return	257,424	167,493	11,212	436,129
Appropriation of endowment				
Assets for expenditure	(75,000)	-	-	(75,000)
Endowment net assets, end of year	\$ 1,557,197	167,493	1,553,937	3,278,627

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with FASB ASC 820-10 *Fair Value Measurements and Disclosure*, Preble Street is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for level 2 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- *Beneficial Interest in Perpetual Trust:* Valued at the closing price as reported on the active market on which the underlying individual securities of the Trust are traded.

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Preble Street management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below segregates all financial assets and liabilities as of June 30, 2018 and 2017 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

	<u>Fair value measurements at 06/30/18 using:</u>		
	Totals	Quoted prices in active markets for identical assets	Significant other observable inputs
	<u>06/30/18</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Cash and cash equivalents	\$ 18,572	18,572	-
Deferred compensation assets –			
Mutual funds	121,950	121,950	-
Certificates of deposit	140,714	140,714	-
Mutual funds	2,711,025	2,711,025	-
Exchange-traded funds	831,907	831,907	-
Beneficial interest in perpetual trust	158,022	-	158,022
	<u>3,982,190</u>	<u>3,824,168</u>	<u>158,022</u>
<u>Assets measured at net asset value</u>	<u>53,336</u>		
<u>Totals</u>	<u>\$ 4,035,526</u>		

	<u>Fair value measurements at 06/30/17 using:</u>		
	Totals	Quoted prices in identical assets	Significant other inputs
	<u>06/30/17</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Cash and cash equivalents	\$ 48,465	48,465	-
Deferred compensation assets – cash	115,728	115,728	-
Mutual funds	2,586,205	2,586,205	-
Exchange-traded funds	853,900	853,900	-
Beneficial interest in perpetual trust	153,937	-	153,937
	<u>3,758,235</u>	<u>3,604,298</u>	<u>153,937</u>
<u>Assets measured at net asset value</u>	<u>48,863</u>		
<u>Totals</u>	<u>\$ 3,807,098</u>		

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The following includes a summary of fair values and redemption features related to investments for which assets are measured at net asset value as a practical expedient at June 30:

	<u>2018</u>	<u>2017</u>	<u>Redemption frequency</u>	<u>Redemption notice</u>
Alternative investments – SkyBridge	\$ 53,336	48,863	Quarterly	30 days
Totals	\$ 53,336	48,863		

Transfers between levels of assets are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers into or out of any level of assets or liabilities during the years ended June 30, 2018 and 2017.

LINE OF CREDIT

Preble Street has available a line of credit agreement with a financial institution for a maximum borrowing limit of \$350,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 5.50%, and 4.75% at June 30, 2018 and 2017, respectively). At June 30, 2018 and 2017, there were no amounts outstanding on this line of credit.

OBLIGATION UNDER OPERATING LEASE

Preble Street holds a number of non-cancelable operating leases. The leases are for the use of office space and equipment, program space including the safe haven and shelter portions of the building that houses Florence House and apartments for the First Place Program, and the use of certain vehicles. The agreements call for monthly rental payments ranging from \$56 to \$5,926, and can be adjusted annually to reflect changes in the related facility's operating expenses. Terms for these leases range from 1 – 30 years. Future minimum operating lease payments amounted to the following at June 30:

<u>For year ended</u>	<u>Total</u>
2019	\$ 112,015
2020	96,625
2021	79,132
2022	71,784
2023	71,112
Thereafter	1,191,126
Total	\$ 1,621,794

During the years ended June 30, 2018 and 2017, total rent expense incurred by Preble Street related to these agreements amounted to \$102,932 and \$104,665, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

OBLIGATION UNDER CAPITAL LEASE

During 2014, Preble Street secured the use of certain office equipment under the terms of a capital lease. The cost basis of equipment thus capitalized amounted to \$15,169 at both June 30, 2018 and 2017. Accumulated depreciation amounted to (\$10,099) and (\$7,237) at June 30, 2018 and 2017, respectively. Future minimum required payments under this lease are as follows for the year ended June 30:

<u>2019</u>	<u>\$ 1,091</u>
Subtotal	1,091
<u>Less amounts representing interest</u>	<u>(7)</u>
Principal balance	1,084
<u>Less current portion</u>	<u>(1,084)</u>
 <u>Non-current principal portion</u>	 <u>\$ -</u>

CONTINGENCIES

Preble Street participates in various intergovernmental grant programs that may be subject to future program compliance audits by the grantors or their representatives. Accordingly, Preble Street's compliance with applicable grant requirements may be established at some future date. The amount, if any, of liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

PENSION PLAN

Preble Street participates in a tax deferred investment plan under section 403(b) of the Internal Revenue Code. Eligible employees are able to defer salary and participate in the employer match portion of the plan. Total retirement expense under this plan for the years ended June 30, 2018 and 2017 amounted to \$37,526 and \$37,296, respectively.

During fiscal year 2015, Preble Street began participating in a retirement plan under Internal Revenue Service Code Section 457(b) for the benefit of each officer of the Organization. The plan stipulates that annual contributions will be made on behalf of each participant in an amount determined at the sole discretion of the Executive Committee of the Board of Directors. Total expenses incurred under this plan amounted to \$30,000 for each of the years ended June 30, 2018 and 2017. Total plan assets and the corresponding retirement plan liability of \$121,950 and \$115,728 as of June 30, 2018 and 2017, respectively, are presented as an asset and an accrued expense in the statements of financial position.

PREBLE STREET
Notes to Financial Statements, Continued

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

Temporarily restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Maine Hunger Initiative	\$ 60,000	-
Accumulated endowment earnings	306,596	167,493
38 Preble Street Building and Operating Fund	496,352	539,288
First Place Program	27,449	135,336
Food programs	72,917	-
Community advocacy	15,000	-
Resource center	40,000	-
Huston commons	-	57,092
Health Services	8,700	147,957
Totals	\$ 1,027,014	1,047,166

Included within the 38 Preble Street Building and Operating fund are funds intended to supplement the budget of the Teen Services programs, as needed, in future years.

Permanently restricted net assets consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Beneficial interest in perpetual trust with income restricted for self-sufficiency efforts	\$ 158,022	153,937
<u>Permanently restricted endowment</u>	<u>1,400,000</u>	<u>1,400,000</u>
Totals	\$ 1,558,022	1,553,937

As previously discussed, Preble Street has a Board-designated endowment fund. At June 30, 2018 and 2017, these Board-designated net assets amounted to \$1,603,303 and \$1,557,197, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
38 Preble Street Building and Operating fund	\$ 75,696	159,401
Maine Hunger Initiative	-	55,000
Community advocacy	-	13,211
Health services	147,957	141,622
Huston commons	57,092	46,918
First Place Program	107,887	379,801
Totals	\$ 388,632	795,953

DONATED SERVICES AND GOODS

During the years ended June 30, 2018 and 2017, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$2,216,167 and \$2,347,385 for 2018 and 2017, respectively, have been reflected in the accompanying financial statements as public support with a like amount included in expenses as donated services and goods, food commodities, and food and program expenses.

The value of nonprofessional, donated services is not reflected in the accompanying financial statements as these services do not meet the criteria outlined in FASB ASC 958-605 *Revenue Recognition-Contributions*. However, Preble Street utilizes in excess of 5,500 nonprofessional volunteers that have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$519,215 in 2018 and \$623,920 in 2017.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

At June 30, 2018 and 2017 approximately 54% and 53%, respectively, of Preble Street's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street's ability to fulfill its mission.

As detailed previously, Preble Street invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

PREBLE STREET
Notes to Financial Statements, Continued

RENTAL INCOME

Preble Street owns and operates two buildings in Portland, Maine that house Preble Street's programs as well as various other social welfare programs provided by other nonprofit and governmental agencies. These agencies are tenants-at-will and pay monthly stipends to help support the costs of occupying the facilities. During the years ended June 30, 2018 and 2017, these stipends totaled \$12,240 in each year.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through December 18, 2018, which is the date these financial statements were available to be issued.