



**PREBLE STREET**

**Financial Statements**

**June 30, 2017 and 2016**

## Independent Auditor's Report

To the Board of Directors 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, 2017 and 2016, 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 audits 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.

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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, 2017 and 2016 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 November 20, 2017 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 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.

A handwritten signature in black ink, reading "Raymond Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

November 20, 2017  
South Portland, Maine

**PREBLE STREET**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,342,006	2,228,060
Accounts receivable	64,582	69,785
Pledges receivable, current portion	163,150	14,100
Grants receivable	695,012	652,187
Prepaid expenses	162,322	157,151
Inventory	38,215	38,202
Total current assets	3,465,287	3,159,485
Investments:		
Investments	3,537,433	3,132,276
Beneficial interest in perpetual trust	153,937	142,725
Total investments	3,691,370	3,275,001
Property and equipment:		
Land	422,930	422,930
Buildings and improvements	8,038,667	8,008,883
Equipment	776,352	730,796
Vehicles	25,500	25,500
	9,263,449	9,188,109
Less accumulated depreciation	(3,302,739)	(3,013,660)
Net property and equipment	5,960,710	6,174,449
Other assets:		
Pledges receivable, non-current, net	77,861	9,701
Unemployment trust	29,121	11,435
Total other assets	106,982	21,136
<b>Total assets</b>	<b>\$ 13,224,349</b>	<b>12,630,071</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	131,996	201,238
Accrued expenses	554,495	480,690
Funds held for others	132,499	64,831
Deferred revenue	4,208	35,410
Capital lease, current portion	3,188	3,093
Total current liabilities	826,386	785,262
Capital lease, net of current portion	1,084	4,272
Total liabilities	827,470	789,534
Net assets:		
Unrestricted:		
Undesignated	2,282,141	1,760,267
Board-designated investments	1,557,197	1,416,862
Investment in property and equipment	5,956,438	6,167,084
Total unrestricted net assets	9,795,776	9,344,213
Temporarily restricted	1,047,166	953,599
Permanently restricted	1,553,937	1,542,725
Total net assets	12,396,879	11,840,537
<b>Total liabilities and net assets</b>	<b>\$ 13,224,349</b>	<b>12,630,071</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Activities**  
**For the Years Ended June 30, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:								
Government grant income	\$ 5,611,056	-	-	5,611,056	5,488,512	-	-	5,488,512
Fee for service income	248,430	-	-	248,430	349,700	-	-	349,700
Contributions	3,630,037	666,828	-	4,296,865	2,901,019	430,003	-	3,331,022
Donated services	171,970	-	-	171,970	193,646	-	-	193,646
Donated goods	2,175,415	-	-	2,175,415	2,298,602	-	-	2,298,602
United Way	464,976	-	-	464,976	412,161	-	-	412,161
Other income	33,273	-	-	33,273	13,944	-	-	13,944
Interest and dividend income, net	55,406	6,210	-	61,616	51,791	52,925	-	104,716
Realized / unrealized gain (loss) on investments	210,129	216,482	-	426,611	(125,355)	(62,494)	-	(187,849)
Change in fair value of trust	-	-	11,212	11,212	-	-	(7,631)	(7,631)
Total revenue and support	12,600,692	889,520	11,212	13,501,424	11,584,020	420,434	(7,631)	11,996,823
Net assets released from restrictions:	795,953	(795,953)	-	-	957,488	(957,488)	-	-
Total revenue, support, and reclassifications	13,396,645	93,567	11,212	13,501,424	12,541,508	(537,054)	(7,631)	11,996,823
Program expenses:								
Food programs	2,866,656	-	-	2,866,656	3,005,897	-	-	3,005,897
Resource Center	1,475,050	-	-	1,475,050	1,441,196	-	-	1,441,196
Veterans Services	1,854,033	-	-	1,854,033	1,617,784	-	-	1,617,784
Maine Hunger Initiative	251,681	-	-	251,681	242,330	-	-	242,330
Community Advocacy	159,235	-	-	159,235	176,070	-	-	176,070
Teen Center	722,056	-	-	722,056	691,398	-	-	691,398
Kreisler Shelter	662,461	-	-	662,461	630,758	-	-	630,758
Clinical Intervention Team	275,741	-	-	275,741	951,611	-	-	951,611
Logan Place	581,186	-	-	581,186	538,926	-	-	538,926
Florence House	1,401,917	-	-	1,401,917	1,350,644	-	-	1,350,644
First Place	342,797	-	-	342,797	252,024	-	-	252,024
Anti-Trafficking	272,781	-	-	272,781	258,234	-	-	258,234
Huston Commons	506,852	-	-	506,852	-	-	-	-
Learning Collaborative	107,316	-	-	107,316	-	-	-	-
Total program expenses	11,479,762	-	-	11,479,762	11,156,872	-	-	11,156,872
Supporting services:								
Administration	1,060,090	-	-	1,060,090	1,088,439	-	-	1,088,439
Fundraising	405,230	-	-	405,230	265,154	-	-	265,154
Total supporting services	1,465,320	-	-	1,465,320	1,353,593	-	-	1,353,593
Total expenses	12,945,082	-	-	12,945,082	12,510,465	-	-	12,510,465
Change in net assets	451,563	93,567	11,212	556,342	31,043	(537,054)	(7,631)	(513,642)
Net assets, beginning of year	9,344,213	953,599	1,542,725	11,840,537	9,313,170	1,490,653	1,550,356	12,354,179
<b>Net assets, end of year</b>	<b>\$ 9,795,776</b>	<b>1,047,166</b>	<b>1,553,937</b>	<b>12,396,879</b>	<b>9,344,213</b>	<b>953,599</b>	<b>1,542,725</b>	<b>11,840,537</b>

*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	Kreisler Shelter	Clinical Intervention	Logan Place	Florence House	First Place	Anti-Trafficking	Huston Commons	Learning Collaborative	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 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	54,320	15,386	495,346	35,323	4,207	5,451	1,028	2,027	2,523	12,949	87,665	29,502	13,067	1,342	760,136	4,207	2,084	6,291	766,427
Subcontracts	-	-	79,989	-	-	32,000	-	-	-	14,565	-	25,449	-	-	152,003	-	-	-	152,003
Food	191,349	-	-	-	-	7,166	-	-	-	14,001	-	-	-	-	212,516	-	-	-	212,516
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
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
Telephone	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
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	2,105	-	-	-	-	80	-	-	-	156	-	-	-	-	2,341	-	-	-	2,341
Jesuit and VISTA volunteers	13,543	-	-	19,738	-	526	-	-	-	1,028	-	-	-	-	34,835	-	-	-	34,835
Volunteer support	10	8	14	37	90	6	5	4	5	42	2	2	3	1	229	3,262	101	3,363	3,592
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
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
Depreciation expense	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
	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
<b>Total expenses</b>	<b>\$ 2,866,656</b>	<b>1,475,050</b>	<b>1,854,033</b>	<b>251,681</b>	<b>159,235</b>	<b>722,056</b>	<b>662,461</b>	<b>275,741</b>	<b>581,186</b>	<b>1,401,917</b>	<b>342,797</b>	<b>272,781</b>	<b>506,852</b>	<b>107,316</b>	<b>11,479,762</b>	<b>1,060,090</b>	<b>405,230</b>	<b>1,465,320</b>	<b>12,945,082</b>

*See accompanying notes to financial statements.*

PREBLE STREET  
Statement of Functional Expenses  
Year Ended June 30, 2016

	Program services												Supporting services			Total expenses	
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Shelter	Clinical Intervention	Logan Place	Florence House	First Place	Anti-Trafficking	Total	Administration	Fundraising		Total
Salaries	\$ 492,776	717,564	707,892	90,978	107,731	417,990	441,558	607,380	413,278	890,468	133,589	130,315	5,151,519	659,276	163,234	822,510	5,974,029
Payroll taxes and employee benefits	108,875	152,594	169,838	21,607	25,812	97,385	101,504	145,187	91,841	193,923	31,655	31,341	1,171,562	204,044	39,441	243,485	1,415,047
Outside services	49	21,236	103,418	7	7	274	275	287	21	48	10	10	125,642	23,090	8	23,098	148,740
Donated services	8,981	11,837	17,134	60,857	1,837	-	-	11,176	5,654	27,401	-	6,743	151,620	42,026	-	42,026	193,646
Program expenses	80,576	16,763	433,310	33,082	396	8,543	1,919	6,964	2,886	19,330	58,521	23,457	685,747	5,582	1,551	7,133	692,880
Subcontracts	-	-	10,695	-	-	32,000	-	48,814	-	-	-	33,981	125,490	-	-	-	125,490
Food	227,959	-	-	-	-	8,985	-	-	-	14,999	-	-	251,943	-	-	-	251,943
Donated goods	1,870,913	367,810	-	1,020	1,540	25,577	-	-	4,072	10,465	-	-	2,281,397	17,205	-	17,205	2,298,602
Occupancy	107,432	77,413	49,055	3,232	10,420	34,352	31,292	48,313	3,501	122,690	7,536	5,158	500,394	24,121	3,596	27,717	528,111
Telephone	817	1,439	6,807	214	1,063	388	305	3,935	459	840	696	1,726	18,689	2,285	162	2,447	21,136
Office supplies	1,456	4,280	4,967	426	517	2,674	2,716	3,084	1,060	3,406	842	926	26,354	7,568	1,334	8,902	35,256
Technology	8,897	9,391	17,842	2,009	1,948	5,897	5,324	11,840	5,199	19,433	2,014	3,725	93,519	16,878	11,991	28,869	122,388
Printing	67	219	353	880	79	150	26	306	74	348	19	89	2,610	8,058	15,333	23,391	26,001
Insurance	4,953	4,692	7,082	799	767	2,951	2,790	4,156	2,342	5,808	1,127	1,111	38,578	462	923	1,385	39,963
Professional fees	3,685	3,430	5,177	584	561	2,157	2,039	3,257	1,712	5,120	824	812	29,358	339	675	1,014	30,372
Postage	1,274	1,199	2,420	204	196	752	714	1,063	648	1,493	288	290	10,541	459	7,451	7,910	18,451
Staff development	2,730	4,773	8,848	3,400	592	6,872	9,694	9,943	2,248	8,882	2,423	3,511	63,916	9,262	1,623	10,885	74,801
Travel	2,766	2,958	44,790	3,933	3,953	1,491	102	8,845	318	1,922	974	5,612	77,664	7,674	539	8,213	85,877
Jesuit and VISTA volunteers	10,450	-	-	12,706	-	458	-	-	-	765	-	-	24,379	-	-	-	24,379
Volunteer support	1,633	1,592	2,402	271	260	1,001	946	1,410	794	1,991	382	377	13,059	8,330	445	8,775	21,834
Training/advocacy stipend	-	-	-	200	9,350	12,008	-	-	-	-	4,329	-	25,887	-	-	-	25,887
Research and evaluation	2,747	2,716	930	105	2,101	5,933	366	546	308	922	148	2,646	19,468	6,336	521	6,857	26,325
Other	3,456	2,687	2,673	497	394	2,126	2,031	2,356	1,504	3,437	486	618	22,265	9,561	9,827	19,388	41,653
Depreciation expense	63,405	36,603	22,151	5,319	6,546	21,434	27,157	32,749	1,007	16,953	6,161	5,786	245,271	35,883	6,500	42,383	287,654
<b>Total expenses</b>	<b>\$ 3,005,897</b>	<b>1,441,196</b>	<b>1,617,784</b>	<b>242,330</b>	<b>176,070</b>	<b>691,398</b>	<b>630,758</b>	<b>951,611</b>	<b>538,926</b>	<b>1,350,644</b>	<b>252,024</b>	<b>258,234</b>	<b>11,156,872</b>	<b>1,088,439</b>	<b>265,154</b>	<b>1,353,593</b>	<b>12,510,465</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 556,342	(513,642)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	289,079	287,654
Change in unamortized discount	1,067	-
Realized and unrealized (gain)/loss on investments	(426,611)	187,849
(Gain)/loss in value of beneficial interest in perpetual trust	(11,212)	7,631
Gifts received for long-term purposes	(666,828)	(430,003)
(Increase) decrease in assets:		
Accounts receivable	5,203	1,415
Pledges receivable	(218,277)	323,435
Grants receivable	(42,825)	128,171
Prepaid expenses	(5,171)	(90,566)
Inventory	(13)	2,855
Unemployment trust	(17,686)	(11,435)
Increase (decrease) in liabilities:		
Accounts payable	(69,242)	(59,649)
Accrued expenses	73,805	91,083
Funds held for others	67,668	45,654
Deferred revenue	(31,202)	13,932
Net cash used in operating activities	(495,903)	(15,616)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	400,812	228,303
Purchases of investments	(379,358)	(252,744)
Purchase of property and equipment	(75,340)	(143,499)
Net cash used in investing activities	(53,886)	(167,940)
<b>Cash flows from financing activities:</b>		
Gifts received for long-term purposes	666,828	430,003
Payments on capital lease	(3,093)	(3,001)
Net cash provided by financing activities	663,735	427,002
Net change in cash	113,946	243,446
Cash, beginning of year	2,228,060	1,984,614
<b>Cash, end of year</b>	<b>\$ 2,342,006</b>	<b>2,228,060</b>
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	\$ 181	273

*See accompanying notes to financial statements.*



**PREBLE STREET**  
**Notes to Financial Statements**

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**DESCRIPTION OF PURPOSE**

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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.

**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. Case managers also work with chronically homeless individuals to provide follow up and connection to mainstream resources and develop the skills to support their transition from homelessness to residential stability in public and private housing.

**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: Long-term supported transition-in-place housing for homeless young people, ages 18-23, providing affordable apartments and 12-18 months of supervision and support services to assist homeless youth in establishing stable independent living.

**Anti-Trafficking Coalition**

Comprehensive and collaborative service coordination and support in southern Maine 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 for more than 60 individuals a year.

**Food Programs**

The largest direct service emergency food program in northern New England, distributing 580,000 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.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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DESCRIPTION OF PURPOSE, CONTINUED

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**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 developing skills to maintain stable independent housing.  
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.

**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.

**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.

**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.

**Huston Commons**

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

**Maine Medical Center-Preble Street Learning Collaborative**

Bringing the healthcare expertise of Maine Medical Center together with the social work skills of Preble Street, the Learning Collaborative is 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.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**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 and savings 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**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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*. This statement 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, 2014 through 2017.

**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.

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CONCENTRATION OF CREDIT RISK

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Cash balances were held in accounts at various financial institutions during the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, Preble Street's accounts at each such institution were insured by the Federal Deposit Insurance Corporation at levels set by applicable statute and regulation. In addition, Preble Street entered into a repurchase sweep agreement at one institution whereby amounts greater than the FDIC insured limit are swept into an overnight repurchase investment account. At June 30, 2017 and 2016, Preble Street had uninsured cash balances of \$571,994 and \$633,003, respectively.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**GRANTS RECEIVABLE**

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Following is a summary of grants receivable at June 30:

	<u>2017</u>	<u>2016</u>
Avesta Housing	\$ -	117,042
Catholic Charities of Maine	102,977	94,750
City of Portland	126,492	60,409
Maine State Housing Authority	97,801	64,542
Cumberland County	5,085	6,311
U.S. Department of Justice	55,452	45,956
Southern Maine Area Agency on Aging	16,220	11,375
U.S. Department Housing and Urban Development	173,113	40,792
U.S. Department of Health and Human Services	36,424	11,694
State of Maine DHHS	31,419	55,440
Coastal Enterprises, Inc.	-	1,200
U.S. Department of Veterans Affairs	50,029	142,676
<b>Total grants receivable</b>	<b>\$ 695,012</b>	<b>652,187</b>

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**PLEDGES RECEIVABLE**

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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 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>2017</u>	<u>2016</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 163,150	14,100
One year to five years	79,527	10,300
Over five years	-	-
	242,677	24,400
Less unamortized discount of 3% and 6% at June 30, 2017 and 2016, respectively	(1,666)	(599)
	241,011	23,801
Less current portion	(163,150)	(14,100)
<b>Non-current portion</b>	<b>\$ 77,861</b>	<b>9,701</b>

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**CONDITIONAL PROMISES TO GIVE**

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In June, 2017 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2018. 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, 2017, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$323,300. 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, 2018.

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 and fully earned during the year. The next two installments of \$100,000, in each of the next two years, will be paid upon a satisfactory review of the grant requirements prior to each 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 two installments of this grant have not been recorded as a receivable nor as support as of June 30, 2017.

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**INVESTMENTS**

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

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 2,586,205	2,283,691
Exchange-traded funds	853,900	795,710
Money market funds and cash equivalents	48,465	7,211
Alternative investments	48,863	45,664
<b>Totals</b>	<b><u>\$ 3,537,433</u></b>	<b><u>3,132,276</u></b>

For the years ended June 30, 2017 and 2016, realized and unrealized gains (losses) on investments totaled \$426,611 and (\$187,849), respectively. Interest and dividend income of \$61,616 and \$104,716 for the years ended June 30, 2017 and 2016, respectively, are shown net of related fees of \$16,435 and \$15,642 for the same respective periods.

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**BENEFICIAL INTEREST IN PERPETUAL TRUST**

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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. Each year, the distributable income 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

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**BENEFICIAL INTEREST IN PERPETUAL TRUST, CONTINUED**

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the \$100,000 level as a result of the withdrawals. As of June 30, 2017 and 2016, the balances in this account were \$153,937 and \$142,725, respectively.

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**ENDOWMENT**

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At June 30, 2017 and 2016, Preble Street had Board-designated endowment funds totaling \$1,557,197 and \$1,416,862, respectively, and donor-restricted endowment funds totaling \$1,721,430 and \$1,500,636, 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 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 permanent 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 2017 and 2016, Preble Street utilized 3.45% and 4.04%, respectively, from its endowment funds.

Distributions from the Board-designated endowment were \$75,000 and \$73,000, in 2017 and 2016, respectively. There were no distributions made from the donor-restricted endowment fund in 2017 or 2016, 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

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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ENDOWMENT, CONTINUED

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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'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
<b>Totals</b>	<b>\$ 1,557,197</b>	<b>167,493</b>	<b>1,553,937</b>	<b>3,278,627</b>

The 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 (a)	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)
<b>Endowment net assets, end of year</b>	<b>\$ 1,557,197</b>	<b>167,493</b>	<b>1,553,937</b>	<b>3,278,627</b>

(a) According to the provisions of FASC 958-205-45-22 *Losses of an Endowment Fund*, the decline in the fair value of the assets of the donor-restricted endowment fund reduces temporarily restricted net assets first, then any remaining losses reduces unrestricted net assets. As of June 30, 2016, Preble Street had cumulative losses on donor-restricted endowment funds of \$42,089 reducing unrestricted net assets. During the year ended June 30, 2017, Preble Street had positive earnings on the donor-restricted endowment account of \$209,582, of which \$42,089 increased unrestricted net assets to replenish the cumulative losses from previous years. The remaining \$167,493 increased temporarily restricted endowment earnings.



**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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ENDOWMENT, CONTINUED

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Preble Street's endowment balances were comprised of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment (b)	\$ (42,089)	-	1,542,725	1,500,636
Board-designated endowment	1,416,862	-	-	1,416,862
<b>Totals</b>	<b>\$ 1,374,773</b>	<b>-</b>	<b>1,542,725</b>	<b>2,917,498</b>

(b) From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Preble Street to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$42,089 as of June 30, 2017. This deficiency is the result of unfavorable market fluctuations that have occurred since the permanently restricted gift was received and invested.

The changes in Preble Street's endowment balances for the year ended June 30, 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,528,612	-	1,550,356	3,078,968
Contributions	-	-	-	-
Investment return:				
Investment income, net	44,516	41,900	-	86,416
Depreciation (c)	(125,355)	(41,900)	(7,631)	(174,886)
Total investment return	(80,839)	-	(7,631)	(88,470)
Appropriation of endowment				
Assets for expenditure	(73,000)	-	-	(73,000)
<b>Endowment net assets, end of year</b>	<b>\$ 1,374,773</b>	<b>-</b>	<b>1,542,725</b>	<b>2,917,498</b>

(c) According to the provisions of FASC 958-205-45-22 *Losses of an Endowment Fund*, the decline in the fair value of the assets of the donor-restricted endowment fund reduces temporarily restricted net assets by \$41,900, the remaining loss of \$36,186 reduces unrestricted net assets.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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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 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- *Equity securities, Corporate Bonds, and U.S. Government Securities:* Valued at the closing price as reported on the active market on which the individual securities are traded.
- *Mutual Funds and Exchange Traded Funds:* Valued at the net asset value (NAV) of shares held by Preble Street at year end.
- *Alternative investments:* Estimated value based on available information typically received from the funds' underlying investments.
- *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.

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.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED**

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The table below segregates all financial assets and liabilities as of June 30, 2017 and 2016 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 06/30/17 using:</u>			
	<u>Totals</u> <u>06/30/17</u>	<u>Quoted prices in</u> <u>active markets for</u> <u>identical assets</u> <u>(Level 1)</u>	<u>Significant other</u> <u>observable</u> <u>inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u> <u>(Level 3)</u>
Cash and cash equivalents	\$ 48,465	48,465	-	-
Mutual funds	2,586,205	2,586,205	-	-
Exchange-traded funds	853,900	853,900	-	-
Alternative investments	48,863	-	-	48,863
Beneficial interest in perpetual trust	153,937	-	153,937	-
<b>Totals</b>	<b>\$ 3,691,370</b>	<b>3,488,570</b>	<b>153,937</b>	<b>48,863</b>

Fair value measurements at 06/30/17 using:  
Significant unobservable inputs (Level 3)

Alternative investments

<b>Opening balance</b>	<b>\$ 45,664</b>
Purchases	-
Total gains or losses	
included in change in net assets, net	3,199
Issuances	-
Sales	-
settlements	-
Fees	-

**Closing balance** **\$ 48,863**

Change in unrealized gains or losses  
For the period included in changes in  
net assets at 06/30/17 **\$ 3,199**

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

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	Fair value measurements at 06/30/16 using:			
	Totals 06/30/16	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds	\$ 2,283,691	2,283,691	-	-
Exchange-traded funds	795,710	795,710	-	-
Money market funds and cash equivalents	7,211	7,211	-	-
Alternative Investments	45,664	-	-	45,664
Beneficial interest in perpetual trust	142,725	-	142,725	-
<b>Totals</b>	<b>\$ 3,275,001</b>	<b>3,086,612</b>	<b>142,725</b>	<b>45,664</b>

Fair value measurements at 06/30/16 using:  
Significant unobservable inputs (Level 3)

Alternative investments

<b>Opening balance</b>	<b>\$ 52,022</b>
Purchases	-
Total gains or losses included in change in net assets, net	(6,358)
Issuances	-
Sales	-
Settlements	-
Fees	-
<b>Closing balance</b>	<b>\$ 45,664</b>
Change in unrealized gains or losses For the period included in changes in <u>net assets at 06/30/16</u>	<b>\$ (6,358)</b>

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, 2017 and 2016.

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LINE OF CREDIT

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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 4.75%, and 4.00% at June 30, 2017 and 2016). At June 30, 2017 and 2016, there were no amounts outstanding on this line of credit.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**OBLIGATION UNDER OPERATING LEASE**

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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. As of June 30, 2017, future minimum operating lease payments amounted to the following:

<u>For year ended</u>	<u>Total</u>
2018	\$ 118,815
2019	71,112
2020	71,112
2021	71,112
2022	71,112
Thereafter	<u>1,262,238</u>
<b>Total</b>	<b><u>\$ 1,665,501</u></b>

During the years ended June 30, 2017 and 2016, total rent expense incurred by Preble Street related to these agreements amounted to \$187,362 and \$164,800, respectively.

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**OBLIGATION UNDER CAPITAL LEASE**

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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, 2017 and 2016. Accumulated depreciation amounted to (\$7,237) and (\$5,765) at June 30, 2017 and 2016, respectively. Future minimum required payments under this lease are as follows for the year ended June 30:

2018	\$ 3,274
<u>2019</u>	<u>1,090</u>
Subtotal	4,364
<u>Less amounts representing interest</u>	<u>(92)</u>
Principal balance	4,272
<u>Less current portion</u>	<u>(3,188)</u>
<b><u>Non-current principal portion</u></b>	<b><u>\$ 1,084</u></b>

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**CONTINGENCIES**

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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.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**PENSION PLAN**

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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, 2017 and 2016 amounted to \$37,296 and \$33,910, 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 and \$35,000 for the years ended June 30, 2017, and 2016, respectively. Total plan assets and the corresponding retirement plan liability of \$115,728 and \$82,375 as of June 30, 2017 and 2016, respectively, are included in cash and accrued expenses in the statements of financial position.

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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

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

	<u>2017</u>	<u>2016</u>
Maine Hunger Initiative	\$ -	55,000
Accumulated endowment earnings	167,493	-
38 Preble Street Building and Operating Fund	539,288	643,490
First Place Program	135,336	216,898
Project Youth Count	-	13,211
Huston commons	57,092	-
Learning Collaborative	147,957	25,000
<b><u>Totals</u></b>	<b><u>\$ 1,047,166</u></b>	<b><u>953,599</u></b>

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>2017</u>	<u>2016</u>
Beneficial interest in perpetual trust with income restricted for self-sufficiency efforts	\$ 153,937	142,725
Permanently restricted endowment	1,400,000	1,400,000
<b><u>Totals</u></b>	<b><u>\$ 1,553,937</u></b>	<b><u>1,542,725</u></b>

As previously discussed, Preble Street has a Board-designated endowment fund. At June 30, 2017 and 2016, these Board-designated net assets amounted to \$1,557,197 and \$1,416,862, respectively.

**PREBLE STREET**  
**Notes to Financial Statements, Continued**

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**NET ASSETS RELEASED FROM RESTRICTIONS**

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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>2017</u>	<u>2016</u>
38 Preble Street Building and Operating fund	\$ 159,401	140,000
Maine Hunger Initiative	55,000	170,953
Community advocacy	13,211	46,357
Capacity building	-	250,000
Project youth count	-	63,427
Learning collaborative	141,622	-
Huston commons	46,918	-
First Place Program	379,801	286,751
<b>Totals</b>	<b>\$ 795,953</b>	<b>957,488</b>

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**DONATED SERVICES AND GOODS**

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During the years ended June 30, 2017 and 2016, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$2,347,385 and \$2,492,248 for 2017 and 2016, 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 \$623,920 in 2017 and \$648,210 in 2016.

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**OTHER ECONOMIC CONCENTRATIONS AND RISKS**

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Approximately 57% 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**

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RENTAL INCOME

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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, 2017 and 2016 these stipends totaled \$12,240 and \$4,240, respectively.

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SUBSEQUENT EVENTS

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In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through November 20, 2017, which is the date these financial statements were available to be issued.