

**PREBLE STREET**

**Financial Statements**

**June 30, 2006 and 2005**



Certified Public Accountants and Business Consultants

## Independent Auditor's Report

To the Board of Directors of  
Preble Street

We have audited the accompanying statements of financial position of Preble Street as of June 30, 2006 and 2005 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Preble Street's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preble Street as of June 30, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Runyon Kersteen Ouellette*

January 12, 2007  
South Portland, Maine

**PREBLE STREET**  
**Statements of Financial Position**  
**June 30, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Current assets:		
Cash	\$ 144,250	127,884
Investments	446,806	19,811
Accounts receivable	31,399	23,897
Capital pledges receivable, current portion	428,531	533,446
Grants receivable	500,709	365,326
Prepaid expenses	38,063	31,957
Inventory	1,453	11,516
Total current assets	1,591,211	1,113,837
Property and equipment:		
Land	274,380	314,380
Buildings and improvements	4,726,944	4,863,332
Equipment	476,567	624,251
Vehicles	28,066	25,867
	5,505,957	5,827,830
Less accumulated depreciation	(964,067)	(892,488)
Net property and equipment	4,541,890	4,935,342
Other assets:		
Capital pledges receivable, noncurrent, net	72,671	461,619
Organization costs, net of amortization costs of \$32,336 and \$32,155, respectively	-	181
Goodwill costs, net of amortization costs of \$5,000 and \$625, respectively	-	4,375
Beneficial interest in perpetual trust	121,983	118,070
Total other assets	194,654	584,245
<b>Total assets</b>	<b>\$ 6,327,755</b>	<b>6,633,424</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	-	69,763
Accounts payable	81,409	60,083
Accrued expenses	71,070	60,595
Deferred revenue	145,560	163,914
Total current liabilities	298,039	354,355
Long-term debt, net of current portion	-	92,477
Total liabilities	298,039	446,832
Net assets:		
Unrestricted:		
Undesignated	440,269	202,555
Board designated for long-term investment	925,574	1,092,865
Investment in property and equipment	4,541,890	4,773,102
Total unrestricted net assets	5,907,733	6,068,522
Temporarily restricted	-	-
Permanently restricted	121,983	118,070
Total net assets	6,029,716	6,186,592
<b>Total liabilities and net assets</b>	<b>\$ 6,327,755</b>	<b>6,633,424</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Activities**  
**Years ended June 30, 2006 and 2005**

	2006	2005
Unrestricted net assets:		
Support and revenue:		
Grant income	\$ 1,816,520	1,475,983
Fee for service income	224,986	123,241
Contributions from individuals, churches and corporations	179,659	215,718
Bequests	8,900	224,726
Foundation income	356,070	350,747
Donated services	58,456	77,222
Donated goods	332,124	366,592
Special events	299,519	235,812
Unrealized gains (losses) on investments	1,586	2,193
Interest and dividend income	893	753
Other income	17,640	25,576
Total support and revenue	3,296,353	3,098,563
Net assets released from restrictions	5,698	1,134,467
Total support, revenue and reclassifications	3,302,051	4,233,030
Expenses:		
Program services:		
Breakfast program	204,828	284,621
Housing and social services program	364,790	350,761
Day shelter	401,169	431,244
Food pantry	249,819	196,400
Advocacy project	112,567	104,274
Employment and training	162,361	229,309
Youth program (Teen Center)	818,538	779,997
Lighthouse Shelter	311,656	308,203
Logan Place	438,836	190,863
Total program services	3,064,564	2,875,672
Supporting services:		
Management and general	289,809	277,357
Fundraising	80,579	70,729
Total supporting services	370,388	348,086
Total expenses	3,434,952	3,223,758
Change in unrestricted net assets	(132,901)	1,009,272
Temporarily restricted net assets:		
Net assets released from restrictions	-	(1,128,774)
Change in temporarily restricted net assets	-	(1,128,774)
Permanently restricted net assets:		
Endowment earnings	9,610	7,588
Distributions from endowment	(5,698)	(5,693)
Change in permanently restricted nets assets	3,912	1,895
Change in net assets before discontinued operations	(128,989)	(117,607)
Loss from operations of discontinued retail activities (net of gain on disposal of \$66,275 and \$0, respectively)	(27,887)	(50,385)
Change in net assets	(156,876)	(167,992)
Net assets, beginning of year	6,186,592	6,322,426
Net assets transferred from Stone Soup Foods	-	32,158
Net assets, end of year	\$ 6,029,716	6,186,592

**PREBLE STREET**  
Statement of Functional Expenses  
Year ended June 30, 2006

	Program services						Supporting services			
	Housing and social services			Youth			Management and general		Fundraising	
	Breakfast program	Day shelter	Food pantry	Advocacy project	Employment and training	Teen Center	Lighthouse Shelter	Logan Place	Total	Total expenses
Salaries	\$ 36,670	221,639	144,139	37,350	98,746	396,404	188,456	313,634	1,498,673	1,737,816
Payroll taxes and employee benefits	9,337	61,557	32,995	11,007	29,627	104,482	65,103	86,866	414,701	477,946
Outside services	-	23,053	-	6,520	-	4,701	-	5,268	39,542	39,542
Donated services	16,724	-	24,000	-	-	17,733	-	-	58,457	58,457
Food	43,242	804	2,802	4,416	100	26,093	1,980	3,890	84,200	84,200
Donated goods	17,340	-	122,297	161,067	-	21,183	-	-	321,887	321,887
Food commodities	5,572	-	-	4,665	-	-	-	-	10,237	10,237
Occupancy	25,469	16,707	27,462	8,035	11,023	34,415	33,949	-	164,469	176,318
Interest	-	-	-	-	-	-	-	-	-	2,079
Telephone	352	2,035	5,029	352	927	8,148	2,443	4,871	24,621	26,027
Office supplies	195	1,126	814	195	513	1,960	927	1,562	7,549	8,327
Bad debt expense	-	-	-	-	-	-	-	-	-	3,088
Printing	339	2,661	1,416	339	892	3,842	1,612	2,718	14,266	18,214
Insurance	735	4,246	3,069	734	1,934	7,393	3,494	5,891	28,464	31,398
Professional fees	333	1,923	1,390	332	876	3,348	1,582	2,668	12,891	14,220
Postage	198	1,142	825	197	520	1,988	940	1,584	7,654	9,643
Staff development	245	1,399	1,513	245	603	7,652	1,057	2,396	15,704	16,709
Travel	2,729	103	341	2,741	51	1,190	102	134	8,590	8,713
Jesuit and VISTA volunteers	11,294	-	-	-	-	10,284	-	-	21,578	21,578
Volunteer support	358	73	73	158	-	24	-	42	728	728
Training/advocacy stipend	-	-	-	13,090	100	11,275	-	-	24,465	24,465
Other	923	5,254	3,742	932	2,403	85,386	5,270	7,312	113,063	125,522
Depreciation expense	172,055	343,722	371,907	239,285	148,315	747,501	306,915	438,836	2,871,739	3,217,114
	32,773	21,068	29,262	10,534	14,046	71,037	4,741	-	192,825	217,838
<b>Total expenses</b>	<b>\$ 204,828</b>	<b>364,790</b>	<b>401,169</b>	<b>249,819</b>	<b>162,361</b>	<b>818,538</b>	<b>311,656</b>	<b>438,836</b>	<b>3,064,564</b>	<b>3,434,952</b>

See accompanying notes to financial statements.

**PREBLE STREET**  
Statement of Functional Expenses  
Year ended June 30, 2005

	Program services					Youth				Supporting services		
	Housing and social services	Program services			Day shelter	Youth			Logan Place	Management and general		Total expenses
	Breakfast program	Food pantry	Advocacy project	Employment and training		Shelter	Lighthouse	Teen Center		Fundraising	Total	
Salaries	24,357	203,478	156,609	34,441	57,138	111,731	384,692	186,348	136,267	1,295,061	207,332	1,502,393
Payroll taxes and employee benefits	4,552	53,148	37,410	7,904	10,966	37,292	108,029	50,421	36,255	345,977	53,504	399,481
Outside services	-	9,500	-	-	-	-	68,920	-	-	78,420	-	78,420
Donated services	18,430	24,000	9,410	-	-	-	23,882	-	-	75,722	-	77,222
Food	33,758	621	245	4,200	-	1,805	16,309	123	786	57,847	-	57,847
Donated goods	94,531	-	128,287	103,169	-	-	-	6,300	-	332,287	-	332,287
Food commodities	28,210	-	-	17,158	-	-	-	-	-	45,368	-	45,368
Occupancy	28,533	19,608	41,093	10,005	8,091	25,599	30,236	51,199	-	214,364	2,031	219,242
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	700	1,397	6,414	344	372	820	9,089	1,685	1,032	21,853	22,690	22,690
Office supplies	634	1,265	1,227	311	337	742	2,701	830	471	8,518	266	22,912
Bad debt expense	-	-	-	-	-	-	-	-	-	-	240	957
Printing	718	1,432	1,389	352	381	840	3,057	940	533	9,642	2,407	13,318
Insurance	1,829	3,650	3,541	898	971	2,140	7,793	2,396	1,359	24,577	812	32,19
Professional fees	1,194	2,362	2,292	591	629	1,386	5,044	1,551	879	15,928	694	12,861
Postage	352	703	682	173	187	412	1,501	461	262	4,733	2,764	27,341
Staff development	267	1,395	938	131	568	446	6,799	349	198	11,091	449	17,171
Travel	2,596	100	663	2,615	515	163	1,474	66	37	8,229	1,056	6,188
Jesuit and VISTA volunteers	8,554	-	4,599	1,033	-	-	8,805	-	-	22,991	101	11,873
Volunteer support	149	-	-	74	-	-	74	-	-	297	19	8,305
Training/advocacy stipend	-	-	-	-	12,115	9,589	9,520	-	-	31,224	-	22,991
Other	2,450	7,012	5,981	1,284	2,631	3,469	14,974	5,534	12,784	56,119	-	297
											3,389	31,224
											7,063	63,182
Depreciation expense	251,814	329,671	400,780	184,683	94,901	196,434	702,899	308,203	190,863	2,660,248	60,449	2,982,634
	32,807	21,090	30,464	11,717	9,373	32,875	77,098	-	-	215,424	10,280	241,124
<b>Total expenses</b>	<b>\$ 284,621</b>	<b>350,761</b>	<b>431,244</b>	<b>196,400</b>	<b>104,274</b>	<b>229,309</b>	<b>779,997</b>	<b>308,203</b>	<b>190,863</b>	<b>2,875,672</b>	<b>70,729</b>	<b>3,223,758</b>

See accompanying notes to financial statements.

**PREBLE STREET**  
**Statements of Cash Flows**  
**Years ended June 30, 2006 and 2005**

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ (156,876)	(167,992)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	232,551	252,518
Gain on sale of fixed assets	(66,275)	-
Unrealized gain on investments	(1,586)	(2,339)
(Increase) decrease in assets:		
Accounts receivable	(7,502)	11,269
Capital pledges receivable	493,863	654,864
Grants receivable	(135,383)	(101,165)
Prepaid expenses	(6,106)	(15,001)
Inventory	10,063	10,851
Increase (decrease) in liabilities:		
Accounts payable	21,326	21,699
Accrued expenses	10,475	13,767
Deferred revenue	(18,354)	27,479
Net cash provided by operating activities	376,196	705,950
Cash flows from investing activities:		
Increase in beneficial interest in perpetual trust	(3,912)	(1,895)
Reinvestment of dividends	(409)	(609)
Proceeds from sale of fixed assets	250,000	-
Purchases of investments	(425,000)	(10,370)
Purchase of property and equipment	(18,269)	(65,295)
Net cash used in investing activities	(197,590)	(78,169)
Cash flows from financing activities:		
Repayment of long-term debt	(162,240)	(654,202)
Net cash used in financing activities	(162,240)	(654,202)
Net change in cash	16,366	(26,421)
Cash, beginning of year	127,884	154,305
<b>Cash, end of year</b>	<b>\$ 144,250</b>	<b>127,884</b>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 5,014	33,550

*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 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.

**Breakfast Program** - Preble Street's breakfast program provides breakfast to homeless and low-income individuals and families living in the Greater Portland, Maine area. The program relies significantly upon volunteer labor. In addition, donated goods are a major source of the breakfast program's provisions.

**Housing and Social Services Program** - Preble Street's housing program provides a free housing referral service to homeless and low-income citizens. Additionally, as a social service, Preble Street provides referrals to substance abuse and mental health treatment centers to individuals who seek this service.

**Day Shelter** - Preble Street's day shelter provides a safe, warm environment for case managers to offer support to homeless and low-income citizens. The day shelter offers free telephones, voice mail, storage space, toilet facilities, showers, and other services.

**Food Pantry** - Preble Street's food pantry facilitates the collection and distribution of donated food for low-income and homeless citizens.

**Advocacy Project** - Preble Street's consumer advocacy project is run by consumers and provides advocacy on an individual and systems' basis for people who are experiencing homelessness, mental health issues, and poverty.

**Employment and Training** - Preble Street's employment program works with homeless people in accessing job training programs and in securing employment.

**Youth Program (Teen Center)** - Preble Street operates a drop-in center open 365 days a year with a wide range of services for homeless and runaway youth, including meals, showers, telephones, laundry, outreach, employment, and casework services.

**Lighthouse Shelter** - Preble Street's Lighthouse Shelter is a 16 bed overnight emergency shelter for homeless and runaway youth 15 to 19 years old.

**Logan Place** - Preble Street provides 24 hour supportive services at Logan Place, a 30 unit efficiency apartment building. Staff assists residents in developing skills necessary to succeed in the transition from chronic homelessness to permanent housing.



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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Presentation** - Preble Street has adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. 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 - Funds that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Funds 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 received and expended 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 U.S. generally accepted accounting principles. 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 and Investments** - For the purposes of the statements of cash flows, Preble Street considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash. Investments are stated at their fair value.

**Accounts and Grants Receivable** - Preble Street primarily operates in the Portland, Maine area and receives various governmental grants and contracts to provide services in this area. All amounts receivable are considered fully collectible, therefore an allowance for doubtful accounts is not deemed to be 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 is capitalized at cost if purchased, or fair value at the date of the gift if donated and 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 administrative 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. Furthermore, components of such support received with donor-imposed restrictions which are met in the year of receipt are classified as unrestricted support.

**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)(2).

**Reclassifications** - Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation. Such reclassifications had no effect on the results of operations as previously reported.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**CONCENTRATION OF CREDIT RISK**

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Cash balances were held in various accounts at two Maine financial institutions at June 30, 2006 and 2005. These accounts are all considered cash and cash equivalents for determining the change in cash on the accompanying statements of cash flows. At each institution, the aggregate of all accounts for each depositor is insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006 and 2005, Preble Street's uninsured cash balances totaled \$73,530 and \$0, respectively.

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**GRANTS RECEIVABLE**

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Following is a summary of grants receivable at June 30:

	<u>2006</u>	<u>2005</u>
Ingraham - Mainestay	\$ 15,093	15,093
Maine Department of Health and Human Services	94,608	125,990
Maine Department of Health and Human Services - Pilot	141,103	23,163
City of Portland Community Development Program	9,500	38,000
City of Portland Community Development Program - Teen Center	5,000	10,000
City of Portland - General assistance	5,000	10,152
City of Portland - Logan Place	18,250	-
HUD Supportive Housing Grant	27,906	9,738
HUD Logan Place	110,609	74,151
MaineCare - Targeted Case Management	47,452	28,031
Cumberland County	4,250	4,000
Southern Maine Area Agency on Aging	4,018	9,746
U.S. Department of Health and Human Services	17,920	17,262
<b>Total grants receivable</b>	<b>\$ 500,709</b>	<b>365,326</b>

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

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**CAPITAL PLEDGES RECEIVABLE**

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During fiscal 2002, Preble Street started a capital campaign, with the help of an outside consultant, to raise funds to cover the cost of purchasing a new building located at 343 Cumberland Avenue, the costs associated with renovating Preble Street's existing building on Oxford Street, and to set up an investment fund in which principal contributed will be restricted by the Board of Directors and investment earnings will be used for operating expenditures. The objective of this campaign is to strengthen Preble Street's present and future capacity. The new building was purchased in January 2002 and currently houses the Teen Center, administrative offices, and the City of Portland Homeless Health Clinic.

Capital pledges receivable, net of unamortized discount and allowance for uncollectible pledges, are summarized as follows at June 30:

	<u>2006</u>	<u>2005</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 428,531	553,446
One year to five years	127,560	538,933
Over five years	-	-
Less allowance for uncollectible pledges	(50,000)	(75,000)
Less unamortized discount	(4,889)	(22,314)
<b><u>Totals</u></b>	<b><u>\$ 501,202</u></b>	<b><u>995,065</u></b>

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**CONDITIONAL PROMISE TO GIVE RECEIVABLE**

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In June, 2006 a local grant-making agency had committed to provide funding to Preble Street for the fiscal year ending June 30, 2007. As this commitment carries certain conditions, the likelihood of non-fulfillment 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, 2006, in accordance with Statement of Financial Accounting Standards No. 116. The amount of this conditional promise to give receivable is \$330,126. 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, 2007.

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**INVESTMENTS**

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

	<u>2006</u>	<u>2005</u>
Uninvested cash and money market funds	\$ 15,815	-
Mutual funds	421,700	11,272
Equities	9,291	8,539
<b><u>Totals</u></b>	<b><u>\$ 446,806</u></b>	<b><u>19,811</u></b>

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

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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 Foundation of Greater Portland. It is known as the Preble Street Resource Center Self Sufficiency Endowment Fund.

The United Way 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 3 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 years, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals.

As of June 30, 2006 and 2005, the balances in this account were \$121,983 and \$118,070, respectively.

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**DEFERRED REVENUE**

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Deferred revenue represents grant funds received, but not earned, to fulfill Preble Street's obligations in connection with the following as of June 30:

	<u>2006</u>	<u>2005</u>
Maine Health Access Foundation	\$ 26,732	99,872
Sam L. Cohen Foundation	-	14,583
DHHS via City of Biddeford	7,945	15,000
DHHS funding for Day One	2,127	28,636
City of Portland for clinic renovations	40,000	-
Lennox Foundation	45,000	-
Maine State Housing Authority	14,590	-
Other	9,166	5,823
<b>Totals</b>	<b>\$ 145,560</b>	<b>163,914</b>

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

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**LONG-TERM DEBT**

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At June 30, Preble Street was liable for the following long-term debt:

	<u>2006</u>	<u>2005</u>
Note payable to a bank, with monthly payments of interest only at LIBOR plus 2%, and principal payments in the amount of \$50,000 due on January 1, 2004 and April 1, 2004 and then in the amount of \$75,000 due on July 1, 2004 and the first day of each consecutive quarter thereafter until the maturity date of December 31, 2005, secured by various assets of Preble Street.	\$ -	68,810
Loan payable to an individual, in monthly installments of \$816 including interest at 9.5%, through October 2009 secured by land and a building. Balance paid in full in 2006.	-	93,430
Total long-term debt	-	162,240
Less current portion	-	69,763
<b>Long-term debt, net of current portion</b>	<b>\$ -</b>	<b>92,477</b>

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**LINE OF CREDIT**

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Preble Street has a line of credit arrangement with a local bank with a maximum borrowing limit of \$50,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5 % (equal to 8.75% and 6.75% at June 30, 2006 and 2005, respectively.) This agreement requires an annual clearance period of 30 days, during which the outstanding balance must be brought to and maintained at \$0. Outstanding balances of this line of credit were \$0 at both June 30, 2006 and 2005.

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**OBLIGATION UNDER OPERATING LEASE**

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Preble Street leases a building which is used to house its Lighthouse Shelter program in Portland under the terms of a non-cancelable operating lease which expires on May 31, 2007. Future minimum required payments under this agreement total \$23,325 through the year ending June 30, 2007. During the years ended June 30, 2006 and 2005, Preble Street incurred rental expense under this agreement amounting to \$25,426 and \$24,203, respectively.

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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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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

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

	<u>2006</u>	<u>2005</u>
Beneficial interest in perpetual trust with income restricted for self sufficiency efforts	<u>\$ 121,983</u>	<u>118,070</u>

As noted earlier, in 2002 Preble Street conducted a capital campaign to raise funds to cover the costs associated with purchasing and renovating a new building, and to establish an investment fund restricted by the Board of Directors. With the completion of all renovations to their new building, the remaining capital campaign funds were used to establish a Board designated investment fund. At June 30, 2006 and 2005, total board designated net assets amounted to \$925,574 and \$1,092,865, respectively.

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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>2006</u>	<u>2005</u>
Capital campaign expenses	\$ -	1,128,774
Distribution of endowment earnings	5,698	5,693
<b><u>Totals</u></b>	<b><u>\$ 5,698</u></b>	<b><u>1,134,467</u></b>

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**DONATED SERVICES AND FACILITIES**

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During the years ended June 30, 2006 and 2005, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$390,580 and \$443,813 for 2006 and 2005, respectively, have been reflected in the accompanying financial statements as public support with a like amount included in expenses as donated services and donated goods.

The value of nonprofessional, donated services is not reflected in the accompanying financial statements as these services do not meet the criteria outlined in Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. However, a substantial number of nonprofessional volunteers have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$134,030 in 2006 and \$118,150 in 2005.

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**RELATED PARTY TRANSACTIONS**

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Preble Street paid a Board member \$33,690 in architectural fees during the year ended June 30, 2005 for design work related to the new 343 Cumberland Avenue building and the renovation of the building at 252 Oxford Street. The amount of fees charged to Preble Street by the Board member is at or below the fair value of the services provided. The Board member was absent when the Board of Directors voted to hire him.

**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, 2006 and 2005 was \$4,926 and \$3,949, respectively.

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**OCCUPANCY COSTS**

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In February 1994, Preble Street purchased property located on Oxford Street. In January 2002, Preble Street purchased another property at 343 Cumberland Avenue. Preble Street renovated both of these properties in fiscal years 2003 and 2004. During the renovation period, many of Preble Street's programs were temporarily located at the Chestnut Street Church and the Oxford Street Shelter.

All renovations were completed by November 2003 and these facilities now 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, 2006 and 2005 these stipends totaled \$55,400 and \$59,900, respectively.

Net occupancy related costs, inclusive of the now discontinued Stone Soup Foods, consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Depreciation	\$ 232,551	252,517
Rent	30,726	32,303
Interest expense	4,935	10,859
Repairs and maintenance	29,917	27,393
Janitorial service	20,496	52,971
Property insurance	-	8,140
Electricity	60,679	57,423
Water and sewer	20,665	19,135
Gas/heat	55,136	53,926
Trash and snow removal	7,560	18,299
Building supplies	22,867	24,637
Less rent income	(55,400)	(59,900)
<b>Total occupancy costs</b>	<b>\$ 430,132</b>	<b>497,703</b>

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**SALE OF FIXED ASSETS AND DISCONTINUED OPERATIONS**

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During the year ending June 30, 2006 Preble Street sold certain fixed assets which had been employed in its retail operations (under the program name of Stone Soup Foods) and discontinued the related activities. The sale of these assets resulted in a realized gain of \$66,275, while the operating results of these activities during the year ending June 30, 2006 amounted to a loss of \$94,162 on sales revenue of \$255,754. For the year ending June 30, 2005, these operations resulted in a loss of \$50,385 on sales revenue of \$388,843. All such gains and losses have been reported within the statements of activities as losses on operations from discontinued retail activities.

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

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**OTHER ECONOMIC CONCENTRATIONS**

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Approximately 47% of Preble Street's annual funding is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect the Preble Street's ability to fulfill its mission.