PREBLE STREET

Financial Statements

June 30, 2007 and 2006



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, 2007 and 2006 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, 2007 and 2006 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 March 19, 2008 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.

March 19, 2008

South Portland, Maine

Runyon Kurdeen Owellette

PREBLE STREET Statements of Financial Position June 30, 2007 and 2006

		2007	2006
ASSETS			
Current assets:			
Cash	\$	280,088	144,25
Investments		961,131	446,80
Accounts receivable		54,886	31,39
Pledges receivable, current portion		248,120	428,53
Grants receivable		355,935	500,70
Prepaid expenses		44,151	38,06
Inventory		24,732	1,45
Total current assets		1,969,043	1,591,21
Property and equipment:			
Land		274,380	274,380
Buildings and improvements		4,765,038	4,726,94
Equipment		462,918	476,56
Vehicles		25,867	28,066
		5,528,203	5,505,957
Less accumulated depreciation		(1,120,112)	(964,067
Net property and equipment		4,408,091	4,541,890
Other assets:			
Pledges receivable, noncurrent, net		30,090	72,671
Beneficial interest in perpetual trust		139,054	121,983
Total other assets		169,144	194,654
Total assets	\$	6,546,278	6,327,755
LIABILITIES AND NET ASSETS			
Current liabilities:	•		
Accounts payable		34,658	81,321
Accrued expenses		77,815	71,158
Deferred revenue		138,004	145,560
Total current liabilities		250,477	298,039
Total liabilities		250,477	298,039
Net assets:			
Unrestricted:			
Undesignated		533,270	440,269
Board designated for long-term investment		1,090,386	925,574
Investment in property and equipment		4,408,091	4,541,890
		6,031,747	5,907,733
Total unrestricted net assets		125,000	2,201,133
Total unrestricted net assets Temporarily restricted		12.3 UUU	-
Temporarily restricted			- 121 983
		139,054 6,295,801	121,983 6,029,716

See accompanying notes to financial statements.

PREBLE STREET Statements of Activities Years ended June 30, 2007 and 2006

		2007	2006
Unrestricted net assets:		-	
Unrestricted support:			
Grant income	\$	1,809,325	1,816,520
Fee for service income	-	276,136	224,986
Contributions from individuals, churches and corporations		361,061	179,659
Bequests		-	8,900
Foundation income		305,402	356,070
Donated services		31,761	58,456
Donated goods		561,179	332,124
Special events		335,801	299,519
Net unrealized gains on investments		91,694	1,586
Interest and dividend income		32,862	893
Other income		82,665	17,640
Total unrestricted support		3,887,886	3,296,353
Net assets released from restrictions		5,499	5,698
Total unrestricted support and reclassifications		3,893,385	3,302,051
_			
Expenses:			
Program services:			
Breakfast program		271,928	204,828
Housing and social services program		369,719	364,790
Day shelter		420,991	401,169
Food pantry		368,945	249,819
Homeless Voices for Justice		107,343	112,567
Employment and training		88,804	162,361
Youth program (Teen Center)		748,332	818,538
Lighthouse Shelter		333,753	311,656
Logan Place		454,539	438,836
Women's Shelter		205,530	-
Florence House		18,056	
Total program services		3,387,940	3,064,564
Supporting services:			
Management and general		286,889	289,809
Fundraising		94,542	80,579
Total supporting services		381,431	370,388
Total expenses	·	3,769,371	3,434,952
Change in unrestricted net assets		124,014	(132,901)
Temporarily restricted net assets:			
Contributions		125,000	-
Change in temporarily restricted net assets		125,000	
Downsonantly reasonated not assets:			
Permanently restricted net assets:		22 570	0.610
Endowment earnings Distributions from endowment		22,570	9,610
		(5,499)	(5,698)
Change in permanently restricted nets assets		17,071	3,912
Change in net assets before discontinued operations		266,085	(128,989)
Loss from operations of discontinued retail activities (net of gain on disposal of \$0 and \$66,275, respectively)		_	(27,887)
		266.095	
Change in net assets		266,085	(156,876)
Net assets, beginning of year		6,029,716	6,186,592
Net assets, end of year		6,295,801	6,029,716

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PREBLE STREET
Statement of Functional Expenses
Year ended June 30, 2007

						Prograi	Program services						Sunns	Sunnorting services	ļ	
		Housing			Homeless		Youth							6		
		and social			Voices	Employment	program						Management			
	Breakfast	services	Day	Food	for	and	(Leen	Lighthouse	Logan	Women's	Florence		and			Total
	program	program	shelter	pantry	Justice	training	Center)	Shelter	Place	Shelter	House	Total	general	Fundraising	Total	expenses
Salaries \$	52,775	235,149	172,759	34,067	62,787	51,349	380,993	203,205	320,087	120.672	13,350	1.647.193	199 884	720 19	260 011	1 908 104
Payroll taxes and								•					100,001	770,10	200,711	1,200,104
employee benefits	13,075	61,038	34,567	11,170	11,181	17,000	124,196	68,523	96,550	24,641	4.255	466.196	53,249	17 372	10907	236.817
Outside services	•	14,712		•	,	1	51,147		4.333	,		70.197		4/04/1	170,07	70,007
Donated services	17,361	•	14,400	1		•		,		,	•	31.761		1	•	10,192
Food and program expenses	43,186	4,788	1,825	3,830	3,906	1	19.068	2.608	3.432	10.518		93.161	•	1	r	51,761
Donated goods	56,429		134,518	290,524	•	•	42.470		2.168	,	1	526 100			•	53,101
Food commodities	6,975	•	•	6,038		•	. '	,	,	,	,	13.013		•		220,109
Occupancy	28,117	15,063	19,079	8,033	6,025	7,029	32,618	41,088	•	17,072	1	174.124	6.353	3 380	0 747	183 866
Telephone	396	1,645	4,958	232	438	386	7,412	2,390	4,405	889	39	23,190	1 012	201	1 303	24 402
Office supplies	322	1,335	1,134	188	356	313	2,278	1,317	1,914	722	32	9.911	215,.	736	1,000	10.060
Technology	128	531	452	75	142	125	200	524	762	287	13	3.946	327	2.23	2,610	6559
Printing	371	1,538	1,309	217	410	361	2,624	1,517	2,202	832	37	11,418	947	1.829	2,776	14 194
Insurance	868	3,727	3,172	525	993	875	6,360	3,676	5,343	2,016	88	27,673	2,294	658	2.952	30.625
Professional fees	451	1,871	1,592	264	498	439	3,192	1,845	2,682	1,012	4	13,890	6,651	330	6.981	20,02
Postage	232	096	817	135	256	225	1,639	947	1,377	519	23	7,130	591	1.170	1.761	8.891
Staff development	299	2,330	1,054	175	382	341	10,852	1,314	2,191	790	28	19,756	1,185	219	1.404	21.160
Travel	35	478	125	21	1,702	35	1,048	145	238	79	3	3,909	16	26	117	4 026
Jesuit and VISTA volunteers	10,659	•	•	ì	1	•	ı	1	1	1	,	10.659	,	•	; '	10.650
Volunteer support	291	774	658	:213	206	182	1,424	763	1,109	419	18	6,057	476	137	613	6670
Training/advocacy stipend	•	•	•	•	060'6		9,441	ı	,	•		18,531			;	18 531
Other	3,105	4,053	3,585	2,717	1,080	938	7,948	3,891	5,746	2,705	126	35,894	4.686	1.137	5.823	41 717
	235,105	349,992	396,004	358,424	99,452	79,598	705,617	333,753	454,539	183,173	18,056	3,213,713	278,568	90.104	368 672	3 582 385
Depreciation expense	36,823	19,727	24,987	10,521	7,891	9,206	42,715	1		22,357		174,227	8,321	4,438	12,759	186,986
Total expenses \$	271,928	369,719	420,991	368,945	107,343	88.804	748,332	333.753	454,539	205.530	18.056	3,387,940	088 986	04 547	201 421	3 760 371

286,889 94,542 381,431 3,769,371
See accompanying notes to financial statements.

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

					Prog	ogram services					Supp	Supporting services		
		Housing			Homeless		Youth					0		
	,	and social			Voices	Employment	program				Management			
	Breakfast	services	Day	Food	for	and	(Teen	Lighthouse	Logan		and			Total
	program	program	shelter	pantry	Justice	training	Center)	Shelter	Place	Total	general	Fundraising	Total	expenses
Salaries \$	36,670	221,639	144,139	37,350	61,635	98,746	396,404	188,456	313,634	1,498,673	199.966	39.177	239.143	1 737 816
Payroll taxes and														200
employee benefits	9,337	61,557	32,995	11,007	13,727	29,627	104,482	65,103	998'98	414,701	50.549	12.696	63 245	477 946
Outside services	1	23,053	1	6,520	•	1	4,701		5,268	39,542	: :) : •	1	30 542
Donated services	16,724	1	24,000	1	•		17,733	•	,	58.457		•	•	58 457
Food	43,242	804	2,802	4,416	873	100	26,093	1,980	3.890	84.200	•	•	,	84 200
Donated goods	17,340	•	122,297	161,067	•	1	21,183	i		321,887		•		321.887
Food commodities	5,572	ì	ı	4,665	1	•	1	•	ı	10,237	•	•	1	10.237
Occupancy	25,469	16,707	27,462	8,035	7,409	11,023	34,415	33,949	•	164,469	7.220	4.629	11,849	176 318
Interest	1	ı	•	•	,	•	1		,	,	2 079) :	2.0,5	2,071
Telephone	352	2,035	5,029	352	464	927	8,148	2,443	4,871	24,621	1.193	213	1.406	2,072
Office supplies	195	1,126	814	195	257	513	1,960	927	1,562	7,549	099	118	778	8.327
Bad debt expense	,	1	1	i	ı	•	٠	i			3.088		3.088	3.088
Printing	339	2,661	1,416	339	447	892	3,842	1,612	2,718	14,266	1,149	2.799	3.948	18.214
Insurance	735	4,246	3,069	734	896	1,934	7,393	3,494	5,891	28,464	2,490	444	2.934	31.398
Professional fees	333	1,923	1,390	332	439	876	3,348	1,582	2,668	12,891	1,128	201	1,329	14 220
Postage	198	1,142	825	. 197	260	520	1,988	940	1,584	7,654	. 670	1,319	1.989	9.643
Staff development	245	1,399	1,513	245	594	603	7,652	1,057	2,396	15,704	897	108	1,005	16.709
Travel		103	341	2,741	1,199	51	1,190	102	134	8,590	117	9	123	8.713
Jesuit and VISTA volunteers	Ë	,	ı	ı	1	1	10,284	,	1	21,578		•		21.578
Volunteer support	358	73	73	158	1	ı	24	•	42	728	•	ı	1	728
Training/advocacy stipend	i	•		•	13,090	100	11,275	•	ı	24,465	•	ı	٠	24.465
Other	923	5,254	3,742	932	1,841	2,403	85,386	5,270	7,312	113,063	3,595	8,864	12,459	125.522
	172,055	343,722	371,907	239,285	103,203	148,315	747,501	306,915	438,836	2,871,739	274,801	70,574	345,375	3,217,114
Depreciation expense	32,773	21,068	29,262	10,534	9,364	14,046	71,037	4,741	•	192,825	15,008	10,005	25,013	217,838
Total expenses \$	204,828	364,790	401,169	249,819	112,567	162,361	818,538	311,656	438,836	3,064,564	289,809	80,579	370,388	3,434,952

269,5009 80,519 5/0,388 5,434,952
See accompanying notes to financial statements.

PREBLE STREET Statements of Cash Flows Years ended June 30, 2007 and 2006

		2007	2006
Cash flows from operating activities:	-	-	
Change in net assets	\$	266,085	(156,876)
Adjustments to reconcile change in net assets	•	,	(100,070)
to net cash provided by operating activities:			
Depreciation and amortization		186,986	232,551
Loss (gain) on sale of fixed assets		10,162	(66,275)
Unrealized gain on investments		(91,694)	(1,586)
(Increase) decrease in assets:		(, , , ,	(-,)
Accounts receivable		(23,487)	(7,502)
Pledges receivable		222,992	493,863
Grants receivable		144,774	(135,383)
Prepaid expenses		(6,088)	(6,106)
Inventory		(23,279)	10,063
Increase (decrease) in liabilities:		(, ,	,
Accounts payable		(46,663)	21,326
Accrued expenses		6,657	10,475
Deferred revenue		(7,556)	(18,354)
Net cash provided by operating activities		638,889	376,196
Cash flows from investing activities:			
Increase in beneficial interest in perpetual trust		(17,071)	(3,912)
Reinvestment of dividends		(161)	(409)
Proceeds from sale of fixed assets		-	250,000
Purchases of investments		(422,652)	(425,000)
Purchase of property and equipment		(63,167)	(18,269)
Net cash used in investing activities		(503,051)	(197,590)
Cash flows from financing activities:	· · ·		
Repayment of long-term debt		-	(162,240)
Net cash used in financing activities		-	(162,240)
Net change in cash		135,838	16,366
Cash, beginning of year		144,250	127,884
Cash, end of year	\$	280,088	144,250
		200,000	177,230
Supplemental cash flow disclosures: Cash paid for interest	a n	413	F 04 4
Cash para for interest	\$	413	5,014

See accompanying notes to financial statements.

PREBLE STREET Notes to Financial Statements

DESCRIPTION OF PURPOSE

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.

Homeless Voices for Justice - 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.

Women's Shelter - In January 2007, Preble Street opened a women's shelter to provide emergency overnight shelter for homeless women. An average of 45 women stay in our shelter each night. This program is housed in our current Day Shelter and is a temporary solution while we develop Florence House.

Florence House - Florence House is a comprehensive program Preble Street is developing with our partner at Logan Place, Avesta Housing. This program will provide permanent housing solutions for chronically homeless women as well as temporary emergency shelter for women experiencing episodic homelessness.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Preble Street has adopted the provisions of Statements 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:

<u>Unrestricted net assets</u> - Funds that are not subject to donor imposed stipulations.

<u>Temporarily restricted net assets</u> - 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.

<u>Permanently restricted net assets</u> - 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 checking and savings accounts 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 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Grants and Contributions - Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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 2006 financial statements to conform to the 2007 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.

CONCENTRATION OF CREDIT RISK

Cash balances were held in various accounts at two Maine financial institutions at June 30, 2007 and 2006. 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, 2007 and 2006, Preble Street's uninsured cash balances totaled \$177,731 and \$73,530, respectively.

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2007</u>	<u>2006</u>
Ingraham - Mainestay	\$ 15,093	15,093
Maine Department of Health and Human Services	17,743	94,608
Maine Department of Health and Human Services - Pilot	-	141,103
City of Portland Community Development Program	8,847	9,500
City of Portland Community Development Program - Teen Center	2,328	5,000
City of Portland - General assistance	22,422	5,000
City of Portland – Logan Place	18,250	18,250
HUD Supportive Housing Grant	34,812	27,906
HUD Logan Place	100,842	110,609
MaineCare - Targeted Case Management	32,340	47,452
Maine State Housing Authority	64,014	-
Cumberland County	-	4,250
Southern Maine Area Agency on Aging	3,742	4,018
U.S. Department of Health and Human Services	29,002	17,920
Children's Cabinet	6,500	
Total grants receivable	\$ 355,935	500,709

PLEDGES RECEIVABLE

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.

In addition, in 2007 Preble Street was promised two other operating pledges, each restricted for particular program purposes, for a combined total of \$125,000, with such amounts to be received within the upcoming year. Total pledges receivable, net of unamortized discount and allowance for uncollectible pledges, are summarized as follows at June 30:

	<u>2007</u>	<u>2006</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 248,120	428,531
One year to five years	72,483	127,560
Over five years	-	,
Less allowance for uncollectible pledges	(40,000)	(50,000)
Less unamortized discount	(2,393)	(4,889)
Totals	\$ 278,210	501,202

CONDITIONAL PROMISE TO GIVE RECEIVABLE

In June, 2007 a local grant-making agency had committed to provide funding to Preble Street for the fiscal year ending June 30, 2008. 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, 2007, in accordance with Statement of Financial Accounting Standards No. 116. The amount of this conditional promise to give receivable is \$361,445. 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, 2008.

INVESTMENTS

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

Totals	\$ 961.131	446.806
Equities	 12,845	9,291
Mutual funds	948,286	421,700
Uninvested cash and money market funds	\$ -	15,815
	<u>2007</u>	<u>2006</u>

BENEFICIAL INTEREST IN PERPETUAL TRUST

Preble Street received a donation in 1997 from a donor who wished to establish an endowment fund for Preble Street to assist low income individuals achieve employment and self sufficiency. This fund was established through an agreement with the United Way 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 year, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals.

As of June 30, 2007 and 2006, the balances in this account were \$139,054 and \$121,983, respectively.

DEFERRED REVENUE

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

Totals	\$ 138,004	145,560
Other	4,166	9,166
Sewall Foundation – Women's Shelter	15,000	-
Maine State Housing Authority	-	14,590
Lennox Foundation	45,000	45,000
City of Portland for clinic renovations	20,000	40,000
DHHS funding for Day One	<u>-</u>	2,127
DHHS via City of Biddeford	4,302	7,945
Maine Health Access Foundation	\$ 49,536	26,732
	<u>2007</u>	<u>2006</u>

LINE OF CREDIT

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 8.75% at June 30, 2007 and 2006, 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, 2007 and 2006.

OBLIGATION UNDER OPERATING LEASE

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, 2010. Future minimum required payments under this agreement are as follows:

Total	\$ 78,825
2010	25,488
2009	27,063
2008	\$ 26,274
For years ended	<u>Total</u>

During the years ended June 30, 2007 and 2006, Preble Street incurred rental expense under this agreement amounting to \$27,417 and \$25,426, respectively.

CONTINGENCIES

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

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

Totals	\$ 125,000	
Human resources/capacity building	45,000	-
Teen services	\$ 80,000	-
	<u>2007</u>	<u>2006</u>

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

	<u>2007</u>	<u>2006</u>
Beneficial interest in perpetual trust with income restricted for self sufficiency efforts	\$ 139,054	121,983

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, 2007 and 2006, total board designated net assets amounted to \$1,090,386 and \$925,574, respectively.

NET ASSETS RELEASED FROM RESTRICTIONS

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:

Totals	\$ 5,499	5,698
Distribution of endowment earnings	\$ 5,499	5,698
	<u>2007</u>	<u>2006</u>

DONATED SERVICES AND FACILITIES

During the years ended June 30, 2007 and 2006, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$592,940 and \$390,580 for 2007 and 2006, 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 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 \$187,180 in 2007 and \$134,030 in 2006.

SALE OF FIXED ASSETS AND DISCONTINUED OPERATIONS

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 \$174,720. All such gains and losses have been reported within the statements of activities as losses on operations from discontinued retail activities.

PENSION PLAN

Preble Street participates in a tax deferred investment plan under section 403(b) of the Internal Revenue Code. Eligible employees are able to defer salary and participate in the employer match portion of the plan. Total retirement expense under this plan for the years ended June 30, 2007 and 2006 was \$4,787 and \$4,926, respectively.

OCCUPANCY COSTS

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, 2007 and 2006 these stipends totaled \$52,800 and \$55,400, respectively.

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

	<u>2007</u>	<u>2006</u>
Depreciation	\$ 186,986	232,551
Rent	27,417	30,726
Interest expense	, <u>-</u>	4,935
Repairs and maintenance	37,698	29,917
Janitorial service	_	20,496
Electricity	61,146	60,679
Water and sewer	25,050	20,665
Gas/heat	53,566	55,136
Trash and snow removal	7,044	7,560
Building supplies	24,745	22,867
Less stipend income	(52,800)	(55,40 <u>0</u>)
Total occupancy costs	\$ 370,852	430,132

OTHER ECONOMIC CONCENTRATIONS

Approximately 52% 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 Preble Street's ability to fulfill its mission.