

PREBLE STREET

Financial Statements

June 30, 2008 and 2007



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, 2008 and 2007, 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, 2008 and 2007, 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 27, 2009 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 important for assessing the results of our audits.

Runyon Kersteen Ouellette

March 27, 2009
South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets:		
Cash	\$ 383,672	280,088
Investments	1,028,432	961,131
Accounts receivable	58,946	54,886
Pledges receivable, current portion	413,903	248,120
Grants receivable	451,380	355,935
Prepaid expenses	47,633	44,151
Inventory	20,164	24,732
Total current assets	2,404,130	1,969,043
Property and equipment:		
Land	274,380	274,380
Buildings and improvements	4,825,114	4,765,038
Equipment	478,226	462,918
Vehicles	25,867	25,867
	5,603,587	5,528,203
Less accumulated depreciation	(1,308,475)	(1,120,112)
Net property and equipment	4,295,112	4,408,091
Other assets:		
Pledges receivable, noncurrent, net	493,725	30,090
Beneficial interest in perpetual trust	130,024	139,054
Total other assets	623,749	169,144
Total assets	\$ 7,322,991	6,546,278
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	26,230	34,658
Accrued expenses	104,100	77,815
Deferred revenue	100,000	138,004
Total current liabilities	230,330	250,477
Total liabilities	230,330	250,477
Net assets:		
Unrestricted:		
Undesignated	728,875	533,270
Board-designated for long-term investment	1,081,150	1,090,386
Investment in property and equipment	4,295,112	4,408,091
Total unrestricted net assets	6,105,137	6,031,747
Temporarily restricted	857,500	125,000
Permanently restricted	130,024	139,054
Total net assets	7,092,661	6,295,801
Total liabilities and net assets	\$ 7,322,991	6,546,278

See accompanying notes to financial statements.

PREBLE STREET
Statements of Activities
Years Ended June 30, 2008 and 2007

	2008	2007
Unrestricted net assets:		
Unrestricted support:		
Grant income	\$ 1,896,496	1,809,955
Fee for service income	332,775	276,136
Contributions from individuals, churches and corporations	39,069	360,431
Foundation income	858,662	305,402
Donated services	54,585	31,761
Donated goods	490,818	561,179
Special events	644,563	335,801
Net realized/unrealized gains (losses) on investments	(131,967)	91,694
Interest and dividend income	82,515	32,862
Other income	74,509	135,465
Total unrestricted support	4,342,025	3,940,686
Net assets released from restrictions	125,715	5,499
Total unrestricted support and reclassifications	4,467,740	3,946,185
Expenses:		
Program services:		
Resource Center Food Programs	587,405	654,242
Social Services	546,146	375,289
Day shelter	570,142	428,047
Homeless Voices for Justice	134,904	109,571
Employment and Training	-	91,404
Teen Center	760,533	760,394
Lighthouse Shelter	340,057	333,753
Logan Place	484,219	454,539
Women's Shelter	453,967	211,843
Florence House Development	29,724	18,056
Total program services	3,907,097	3,437,138
Supporting services:		
Administrative	336,412	289,239
Development	150,841	95,794
Total supporting services	487,253	385,033
Total expenses	4,394,350	3,822,171
Change in unrestricted net assets	73,390	124,014
Temporarily restricted net assets:		
Contributions	857,500	125,000
Net assets released from restrictions	(125,000)	-
Change in temporarily restricted net assets	732,500	125,000
Permanently restricted net assets:		
Endowment return	(8,315)	22,570
Distributions from endowment	(715)	(5,499)
Change in permanently restricted nets assets	(9,030)	17,071
Change in net assets	796,860	266,085
Net assets, beginning of year	6,295,801	6,029,716
Net assets, end of year	\$ 7,092,661	6,295,801

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2008

	Program services										Supporting services		
	Resource Center Food Programs					Homeless Voices for Justice							
		Social Services	Day shelter		Teen Center	Lighthouse Shelter	Logan Place	Women's Shelter	Florence House Development	Total	Administrative	Development	Total
Salaries	\$ 103,837	320,931	190,693	77,529	420,586	209,907	349,894	281,947	18,629	1,973,953	224,609	96,147	320,756
Payroll taxes and employee benefits	36,046	98,910	46,142	23,054	127,573	66,218	96,755	73,914	5,875	574,487	50,192	22,206	72,398
Outside services	-	13,236	-	2,612	38,519	-	3,270	-	-	57,637	21,411	3,060	24,471
Donated services	36,585	18,000	-	-	-	-	-	-	-	54,585	-	-	-
Food and program expenses	58,090	8,415	2,309	566	15,265	4,405	4,370	29,545	-	122,965	-	1,537	1,537
Donated goods	215,960	-	260,134	-	9,816	-	4,908	-	-	490,818	-	-	-
Food commodities	8,905	-	-	-	-	-	-	-	-	8,905	-	-	-
Occupancy	59,475	34,433	26,607	9,391	50,718	44,745	-	26,607	-	251,976	9,880	5,269	15,149
Telephone	578	1,946	3,561	343	4,562	1,945	3,566	1,824	43	18,368	830	373	1,203
Office supplies	689	2,321	1,621	409	3,192	1,604	2,560	2,174	51	14,621	989	444	1,433
Technology	226	760	531	134	1,045	525	838	712	17	4,788	324	5,598	5,922
Printing	223	752	525	132	1,034	520	829	704	17	4,736	320	4,466	4,786
Insurance	1,349	4,544	3,174	800	6,250	3,141	5,014	4,258	100	28,630	1,937	870	2,807
Professional fees	633	2,131	1,488	375	2,931	1,473	2,351	1,997	47	13,426	909	408	1,317
Postage	239	805	562	163	1,107	557	888	754	18	5,093	343	1,286	1,629
Staff development	446	2,782	883	543	2,397	874	2,181	1,389	28	11,523	1,934	887	2,821
Travel	3,842	994	231	1,642	999	25	168	34	1	7,936	211	73	284
Jesuit and VISTA volunteers	7,986	-	5,062	-	2,225	-	-	-	-	15,273	-	2,225	2,225
Volunteer support	524	1,495	1,044	263	2,056	1,033	1,649	1,400	33	9,497	637	286	923
Training/advocacy stipend	-	-	-	8,120	11,130	-	-	-	-	19,250	-	-	-
Research and evaluation	-	-	-	-	10,000	-	-	-	4,723	14,723	-	-	-
Other	1,395	4,525	3,038	874	6,168	3,085	4,978	4,171	142	28,376	13,517	1,243	14,760
Depreciation expense	537,028	516,980	547,605	126,950	717,573	340,057	484,219	431,430	29,724	3,731,566	328,043	146,378	474,421
	50,377	29,166	22,537	7,954	42,960	-	-	22,537	-	175,531	8,369	4,463	12,832
Total expenses	\$ 587,405	546,146	570,142	134,904	760,533	340,057	484,219	453,967	29,724	3,907,097	336,412	150,841	487,253
													4,394,350

See accompanying notes to financial statements.

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

	Program services										Supporting services				
	Resource Center Food Programs	Social Services	Day shelter	Homeless Voices for Justice	Employment and Training	Teen Center	Lighthouse Shelter	Logan Place	Women's Shelter	Florence House Development	Total	Administrative	Development	Total	Total expenses
Salaries	\$ 86,842	235,149	172,759	62,787	51,349	380,993	203,205	320,087	120,672	13,350	1,647,193	199,884	61,027	260,911	1,908,104
Payroll taxes and employee benefits	24,245	61,038	34,567	11,181	17,000	124,196	68,523	96,550	24,641	4,255	466,196	53,249	17,372	70,621	536,817
Outside services	-	14,712	-	-	-	51,147	-	4,333	-	-	70,192	-	-	-	70,192
Donated services	17,361	-	14,400	-	-	-	-	-	-	-	31,761	-	-	-	31,761
Food and program expenses	47,016	4,788	1,825	3,906	-	19,068	2,608	3,432	10,518	-	93,161	-	-	-	93,161
Donated goods	346,953	-	134,518	-	-	42,470	-	2,168	-	-	526,109	-	-	-	526,109
Food commodities	13,013	-	-	-	-	-	-	-	-	-	13,013	-	-	-	13,013
Occupancy	49,519	20,633	26,135	8,253	9,629	44,680	41,088	-	23,385	-	223,322	8,703	4,641	13,344	236,666
Telephone	628	1,645	4,958	438	386	7,412	2,390	4,405	889	39	23,190	1,012	291	1,303	24,493
Office supplies	510	1,335	1,134	356	313	2,278	1,317	1,914	722	32	9,911	822	236	1,058	10,969
Technology	203	531	452	142	125	907	524	762	287	13	3,946	327	2,283	2,610	6,556
Printing	588	1,538	1,309	410	361	2,624	1,517	2,202	832	37	11,418	947	1,829	2,776	14,194
Insurance	1,423	3,727	3,172	993	875	6,360	3,676	5,343	2,016	88	27,673	2,294	658	2,952	30,625
Professional fees	715	1,871	1,592	498	439	3,192	1,845	2,682	1,012	44	13,890	6,651	330	6,981	20,871
Postage	367	960	817	256	225	1,639	947	1,377	519	23	7,130	591	1,170	1,761	8,891
Staff development	474	2,330	1,054	382	341	10,852	1,314	2,191	790	28	19,756	1,185	219	1,404	21,160
Travel	56	478	125	1,702	35	1,048	145	238	79	3	3,909	91	26	117	4,026
Jesuit and VISTA volunteers	10,659	-	-	-	-	-	-	-	-	-	10,659	-	-	-	10,659
Volunteer support	504	774	658	206	182	1,424	763	1,109	419	18	6,057	476	-	476	6,533
Training/advocacy stipend	-	-	-	9,090	-	9,441	-	-	-	-	18,531	-	137	137	18,668
Other	5,822	4,053	3,585	1,080	938	7,948	3,891	5,746	2,705	126	35,894	4,686	1,137	5,823	41,717
Depreciation expense	606,898	355,562	403,060	101,680	82,198	717,679	333,753	454,539	189,486	18,056	3,262,911	280,918	91,356	372,274	3,635,185
	47,344	19,727	24,987	7,891	9,206	42,715	-	-	22,357	-	174,227	8,321	4,438	12,759	186,986
Total expenses	\$ 654,242	375,289	428,047	109,571	91,404	760,394	333,753	454,539	211,843	18,056	3,437,138	289,239	95,794	385,033	3,822,171
See accompanying notes to financial statements.															

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 796,860	266,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	188,363	186,986
Loss on sale of fixed assets	-	10,162
Unrealized loss (gain) on investments	131,967	(91,694)
(Increase) decrease in assets:		
Accounts receivable	(4,060)	(23,487)
Pledges receivable	(629,418)	222,992
Grants receivable	(95,445)	144,774
Prepaid expenses	(3,482)	(6,088)
Inventory	4,568	(23,279)
Increase (decrease) in liabilities:		
Accounts payable	(8,428)	(46,663)
Accrued expenses	26,285	6,657
Deferred revenue	(38,004)	(7,556)
Net cash provided by operating activities	369,206	638,889
Cash flows from investing activities:		
Decrease (increase) in beneficial interest in perpetual trust	9,030	(17,071)
Reinvestment of dividends	(182)	(161)
Proceeds from sale of investments	122,808	-
Purchases of investments	(321,894)	(422,652)
Purchase of property and equipment	(75,384)	(63,167)
Net cash used in investing activities	(265,622)	(503,051)
Net change in cash	103,584	135,838
Cash, beginning of year	280,088	144,250
Cash, end of year	\$ 383,672	280,088
Supplemental cash flow disclosures:		
Cash paid for interest	\$ -	413

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.

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

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.

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 ages 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.

PREBLE STREET
Notes to Financial Statements, Continued

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:

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 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 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 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).

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 2007 financial statements to conform to the 2008 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, 2008 and 2007. 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, 2008 and 2007, Preble Street's uninsured cash balances totaled \$283,074 and \$177,731, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2008</u>	<u>2007</u>
Ingraham - Mainstay	\$ 15,093	15,093
Maine Department of Health and Human Services	27,433	17,743
City of Portland Community Development Program	26,340	8,847
City of Portland Community Development Program - Teen Center	3,500	2,328
City of Portland Community Development Program - Women's	7,294	-
City of Portland - General assistance	16,936	22,422
City of Portland - Logan Place	-	18,250
City of Portland - Shelter	58,000	-
HUD Supportive Housing Grant	43,867	34,812
HUD Logan Place	112,555	100,842
MaineCare - Targeted Case Management	25,794	32,340
Maine State Housing Authority	62,087	64,014
Cumberland County	22,058	-
Southern Maine Area Agency on Aging	826	3,742
U.S. Department of Health and Human Services	29,597	29,002
Children's Cabinet	-	6,500
Total grants receivable	\$ 451,380	355,935

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 has been restricted by the Board of Directors and investment earnings will be used for operating expenditures. 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 fiscal 2007, Preble Street launched its Home for Good campaign, aimed at raising funds to finance the Florence House for women and capacity building initiatives for the organization as a whole. Total pledges receivable, net of unamortized discount and allowance for uncollectible pledges, are summarized as follows at June 30:

	<u>2008</u>	<u>2007</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 413,903	248,120
One year to five years	575,000	72,483
Over five years	-	-
Less allowance for uncollectible pledges	(40,000)	(40,000)
Less unamortized discount	(41,275)	(2,393)
Totals	\$ 907,628	278,210

PREBLE STREET
Notes to Financial Statements, Continued

CONDITIONAL PROMISES TO GIVE RECEIVABLE

In June, 2008 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2009. 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, 2008, in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. The amount of this conditional promise to give receivable is \$348,718. 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, 2009.

In December, 2007 the Kresge Foundation approved a special conditional grant to Preble Street in the amount of \$1,000,000 to be paid out in equal installments over the next five years, and to be used to further the capacity building initiatives of the Organization. The grant carries certain conditions that must be met each year to receive the funding. The private foundation reserves the right to discontinue, modify, or withhold any payments that might otherwise be due under the grant, if in their judgment certain conditions are not met. Preble Street has assessed the likelihood of non-fulfillment associated with the grant conditions as more than remote, and therefore will record the funding as support as it is received. The first installment of \$200,000 was received in December 2007. Should the corresponding conditions be fulfilled, the total outstanding amount due to be received as of June 30, 2008 is \$800,000.

INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 1,005,098	948,286
Equities	23,334	12,845
Totals	\$ 1,028,432	961,131

Subsequent to June 30, 2008, due to

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, 2008 and 2007, the balances in this account were \$130,024 and \$139,054, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

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:

	<u>2008</u>	<u>2007</u>
Maine Health Access Foundation	\$ 5,000	49,536
DHHS via City of Biddeford	-	4,302
City of Portland for clinic renovations	-	20,000
Lennox Foundation	-	45,000
Sewall Foundation - Women's Shelter	-	15,000
Anthem	40,000	-
Philanthropic Collaborative	15,000	-
Eckedahl	40,000	-
Other	-	4,166
Totals	\$ 100,000	138,004

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 5.50% and 8.75% at June 30, 2008 and 2007, 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, 2008 and 2007.

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:

<u>For years ended</u>	<u>Total</u>
2009	\$ 27,063
<u>2010</u>	<u>25,488</u>
<u>Total</u>	<u>\$ 52,551</u>

During the years ended June 30, 2008 and 2007, Preble Street incurred rental expense under this agreement amounting to \$27,847 and \$27,417, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

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:

	<u>2008</u>	<u>2007</u>
Teen services	\$ -	80,000
Home for Good/Capacity Building	857,500	45,000
Totals	\$ 857,500	125,000

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

	<u>2008</u>	<u>2007</u>
Beneficial interest in perpetual trust with income restricted for self sufficiency efforts	\$ 130,024	139,054

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, 2008 and 2007, total board-designated net assets amounted to \$1,081,150 and \$1,090,386, 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:

	<u>2008</u>	<u>2007</u>
Teen services expenditures	\$ 80,000	-
Capacity building expenditures	45,000	-
Distribution of endowment earnings	715	5,499
Totals	\$ 125,715	5,499

PREBLE STREET
Notes to Financial Statements, Continued

DONATED SERVICES AND FACILITIES

During the years ended June 30, 2008 and 2007, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$545,403 and \$592,940 for 2008 and 2007, 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 \$182,760 in 2008 and \$187,180 in 2007.

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, 2008 and 2007 was \$7,135 and \$4,787, respectively.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

Approximately 36% 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.

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 that such changes could materially affect the amounts reported in the statement of financial position. Subsequent to June 30, 2008 Preble Street's investments, stated at fair value, experienced a decline in value as a result of general market conditions. As of December 31, 2008, Preble Street's investments have depreciated in value by approximately \$310,000, representing 30% of the total portfolio at June 30, 2008.

PREBLE STREET
Notes to Financial Statements, Continued

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. 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, 2008 and 2007 these stipends totaled \$53,081 and \$52,800, respectively.

Net occupancy related costs consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Depreciation	\$ 188,363	186,986
Rent	27,847	27,417
Repairs and maintenance	44,185	37,698
Electricity	61,014	61,146
Water and sewer	32,623	25,050
Gas/heat	60,741	53,566
Trash and snow removal	7,472	7,044
Building supplies	33,245	24,745
Less stipend income	(53,081)	(52,800)
Net occupancy costs	\$ 402,409	370,852