

**PREBLE STREET**

**Financial Statements**

**June 30, 2010 and 2009**



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, 2010 and 2009, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, 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.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

December 7, 2010  
South Portland, Maine

**PREBLE STREET**  
**Statements of Financial Position**  
**June 30, 2010 and 2009**

	2010	2009
<b>ASSETS</b>		
Current assets:		
Cash	\$ 625,800	574,985
Investments	1,159,171	916,889
Accounts receivable	23,335	11,284
Pledges receivable, current portion	247,500	800,000
Grants receivable	1,381,501	522,496
Prepaid expenses	64,476	44,853
Inventory	35,800	23,594
Total current assets	3,537,583	2,894,101
Property and equipment:		
Land	274,380	274,380
Buildings and improvements	4,944,857	4,884,544
Equipment	710,286	535,783
Vehicles	25,500	25,867
	5,955,023	5,720,574
Less accumulated depreciation	(1,654,742)	(1,487,425)
Net property and equipment	4,300,281	4,233,149
Other assets:		
Pledges receivable, noncurrent, net	271,766	869,131
Beneficial interest in perpetual trust	114,657	106,133
Total other assets	386,423	975,264
Total assets	\$ 8,224,287	8,102,514
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	130,551	40,993
Accrued expenses	115,833	87,945
Funds held for others	1,250	23,375
Deferred revenue	15,047	12,700
Total current liabilities	262,681	165,013
Total liabilities	262,681	165,013
Net assets:		
Unrestricted:		
Undesignated	1,580,411	1,121,097
Board-designated for long-term investment	1,136,180	893,555
Investment in property and equipment	4,300,281	4,233,149
Total unrestricted net assets	7,016,872	6,247,801
Temporarily restricted	830,077	1,583,567
Permanently restricted	114,657	106,133
Total net assets	7,961,606	7,937,501
Total liabilities and net assets	\$ 8,224,287	8,102,514

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Activities**  
**Years Ended June 30, 2010 and 2009**

	2010	2009
<b>Unrestricted net assets:</b>		
<b>Unrestricted support:</b>		
Government grant income	\$ 2,524,317	1,713,156
Fee for service income	263,002	412,400
Contributions from individuals, churches and corporations	946,284	763,980
Foundation income	894,414	651,946
Donated services	79,698	58,928
Donated goods	770,809	648,485
United Way	400,299	397,276
Net realized/unrealized gains (losses) on investments	105,947	(233,078)
Interest and dividend income	42,861	42,159
Other income	62,530	78,511
Total unrestricted support	6,090,161	4,533,763
Net assets released from restrictions	913,490	878,933
Total unrestricted support and reclassifications	7,003,651	5,412,696
<b>Expenses:</b>		
<b>Program services:</b>		
Resource Center Food Programs	1,011,957	790,751
Social Services	713,498	617,075
Day shelter	653,954	568,605
Community Advocacy	247,440	122,228
Teen Center	879,623	834,584
Lighthouse Shelter	390,202	398,041
Logan Place	536,438	523,326
Women's Shelter	313,821	525,603
Florence House Development	178,884	64,403
Florence House	590,931	-
Total program services	5,516,748	4,444,616
<b>Supporting services:</b>		
Administrative	491,163	625,213
Development	226,669	200,203
Total supporting services	717,832	825,416
Total expenses	6,234,580	5,270,032
Change in unrestricted net assets	769,071	142,664
<b>Temporarily restricted net assets:</b>		
Contributions	160,000	1,605,000
Net assets released from restrictions	(913,490)	(878,933)
Change in temporarily restricted net assets	(753,490)	726,067
<b>Permanently restricted net assets:</b>		
Net investment gains (losses)	8,524	(23,891)
Change in permanently restricted nets assets	8,524	(23,891)
Change in net assets	24,105	844,840
Net assets, beginning of year	7,937,501	7,092,661
<b>Net assets, end of year</b>	<b>\$ 7,961,606</b>	<b>7,937,501</b>

PREBLE STREET  
Statement of Functional Expenses  
Year Ended June 30, 2010

Resource Center	Program services										Supporting services		Total expenses	
	Food Programs	Social Services	Day shelter	Community Advocacy	Teen Center	Lighthouse Shelter	Legan Place	Women's Shelter	Florence House Development	Florence House	Administrative	Development		Total
Salaries	\$ 203,611	455,803	285,208	148,986	471,193	249,395	388,301	174,581	69,933	334,190	350,139	120,594	470,793	3,252,394
Payroll taxes and employee benefits	52,896	129,434	70,962	40,075	139,611	63,708	100,604	51,619	21,980	112,725	92,651	31,886	124,537	908,751
Outside services	1,235	7,963	11,899	841	36,722	1,893	3,286	1,190	389	25,409	1,673	600	2,273	93,100
Donated services	13,985	23,760	16,781	-	13,985	-	-	-	-	68,513	-	11,188	11,188	79,699
Food and program expenses	113,263	8,755	6,375	5,775	19,320	5,110	11,567	25,526	54,712	31,863	-	30,176	20,176	302,542
Donated goods	496,693	-	184,012	-	22,386	-	2,645	8,746	28,173	11,207	-	-	-	753,862
Food commodities	16,946	-	-	-	-	-	-	-	-	16,946	-	-	-	16,946
Occupancy	59,856	33,032	25,449	12,099	48,082	46,410	-	25,752	-	30,031	11,572	4,842	16,414	297,145
Telephone	812	1,771	3,854	781	4,573	1,749	2,958	661	205	2,098	2,190	305	2,495	21,957
Office supplies	1,406	3,737	3,106	989	4,109	2,273	2,943	1,394	432	4,816	1,768	643	2,411	27,566
Technology	557	1,480	1,230	372	1,627	900	1,166	552	171	1,212	700	3,033	3,733	13,000
Printing	408	1,084	901	388	1,192	659	864	404	125	7,559	513	10,267	10,780	24,394
Insurance	1,679	4,461	3,707	1,121	4,305	2,713	3,514	1,664	516	3,652	2,111	768	2,879	30,811
Professional fees	996	2,647	2,200	665	2,919	1,610	2,085	988	306	2,187	1,253	455	1,708	18,282
Postage	442	1,174	976	295	1,291	714	925	438	136	3,349	556	4,563	5,119	10,859
Staff development	2,162	6,709	3,384	2,082	11,805	4,709	4,768	2,131	471	4,321	3,442	1,182	4,624	47,166
Travel	3,450	1,703	266	7,052	1,620	131	733	40	12	157	119	289	408	15,572
Jessie and VISTA volunteers	8,093	-	9,711	-	8,093	-	-	-	-	-	-	6,474	6,474	32,371
Volunteer support	540	816	696	205	969	496	561	304	94	686	386	140	526	5,993
Training/advocacy stipend	-	-	-	12,200	9,895	-	-	-	-	-	-	-	-	22,095
Research and evaluation	-	-	-	5,325	3,060	-	-	-	-	3,009	4,970	-	4,970	16,295
Other	1,898	4,796	3,987	1,207	6,076	2,917	3,233	1,791	375	5,939	2,225	1,987	4,212	36,491
Depreciation expense	980,928	689,145	634,704	241,908	813,364	385,387	530,243	298,181	178,030	584,481	475,328	219,392	695,720	6,091,191
Total expenses	\$ 1,011,957	713,498	653,954	247,440	879,623	390,202	536,438	313,821	178,884	580,931	491,163	226,669	717,832	6,294,580

See accompanying notes to financial statements.

**PREBLE STREET**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2009**

	Program services										Supporting services			Total expenses
	Resource Center Food Programs	Social Services	Day Shelter	Community Advocacy	Teen Center	Lighthouse Shelter	Logan Place Shelter	Women's Shelter	Florence House Development	Total	Administrative	Development	Total	
Salaries	\$ 135,307	372,689	196,602	66,678	461,214	250,810	381,195	314,413	10,645	2,219,553	294,765	134,374	429,139	2,648,692
Payroll taxes and employee benefits	40,201	116,905	52,774	17,756	137,192	77,607	101,594	90,998	10,978	646,005	71,714	31,328	103,042	749,047
Outside services	1,356	20,939	11,003	176	39,573	660	4,982	828	107	79,594	765	3,051	4,719	84,313
Donated services	37,328	-	21,600	-	-	-	-	58,928	-	-	-	-	-	58,928
Food and program expenses	39,477	6,384	4,187	1,619	25,934	3,041	5,256	33,797	-	119,695	-	2,375	2,375	122,070
Donated goods	388,822	-	204,718	-	19,315	-	3,850	6,924	-	623,629	23,258	-	23,258	646,887
Food commodities	12,220	-	-	-	-	-	-	-	-	12,220	-	-	-	12,220
Occupancy	67,830	39,270	30,345	10,710	51,231	46,024	-	30,345	-	275,755	9,980	5,323	15,303	291,058
Telephone	258	768	4,033	106	5,600	1,385	2,853	700	42	15,747	387	182	569	16,316
Office supplies	922	2,741	1,704	380	3,447	2,017	2,879	2,498	149	16,707	1,382	652	2,034	18,801
Technology	1,273	3,785	2,352	524	4,759	2,826	3,975	3,440	206	23,149	1,908	5,369	7,277	30,426
Printing	88	260	162	36	327	194	274	237	14	1,592	131	4,002	4,133	5,725
Insurance	1,559	4,635	2,880	642	5,828	3,461	4,868	4,224	253	28,350	2,336	1,102	3,438	31,788
Professional fees	634	1,885	1,172	261	2,370	1,408	1,980	7,005	103	16,838	950	448	1,398	18,216
Postage	296	880	547	122	1,107	657	925	802	48	5,384	444	1,943	2,387	7,771
Staff development	1,202	5,126	2,176	913	20,401	5,194	4,276	3,352	191	32,831	3,084	1,201	4,285	37,116
Travel	105	1,874	43	3,333	1,370	71	661	66	3	7,526	151	349	500	8,026
Jesuit and VISTA volunteers	7,228	-	7,228	-	4,764	-	-	-	-	19,220	-	2,300	2,300	21,520
Volunteer support	300	891	554	123	1,120	665	958	812	49	5,472	449	212	661	6,133
Training/advocacy stipend	-	-	-	10,460	10,375	-	-	-	-	20,835	-	-	-	20,835
Research and evaluation	-	6,000	-	-	6,000	-	-	-	11,470	23,470	-	-	-	34,940
Grants to others - Food for ME	-	-	-	-	-	-	-	-	-	-	9,016	-	9,016	32,486
Ba& dcbl	-	-	-	-	-	-	-	-	-	-	106,433	-	106,433	106,433
Other	3,552	2,666	1,800	369	4,254	1,991	2,800	2,430	145	20,047	7,184	1,103	8,287	33,403
Depreciation expense	739,958	587,668	545,882	114,208	796,221	398,041	523,376	502,880	64,403	4,272,587	617,740	196,217	813,957	5,086,544
	50,793	29,407	22,723	8,020	38,363	-	-	22,723	-	172,029	7,473	3,986	11,159	183,488
<b>Total expenses</b>	<b>\$ 790,751</b>	<b>617,075</b>	<b>568,605</b>	<b>122,228</b>	<b>834,584</b>	<b>398,041</b>	<b>523,326</b>	<b>525,603</b>	<b>64,403</b>	<b>4,444,616</b>	<b>625,213</b>	<b>200,203</b>	<b>825,416</b>	<b>5,270,032</b>

See accompanying notes to financial statements.

**PREBLE STREET**  
**Statements of Cash Flows**  
**Years Ended June 30, 2010 and 2009**

	2010	2009
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 24,105	844,840
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	203,389	183,488
Change in allowance for doubtful accounts	-	(40,000)
Change in unamortized discount	(23,693)	9,594
Loss on disposal of fixed assets	-	2,730
Realized and unrealized (gains) losses on investments	(105,947)	233,078
(Increase) decrease in assets:		
Accounts receivable	(12,051)	47,662
Pledges receivable	1,173,558	(731,097)
Grants receivable	(859,005)	(71,116)
Prepaid expenses	(19,623)	2,780
Inventory	(12,206)	(3,430)
Increase (decrease) in liabilities:		
Accounts payable	89,558	14,763
Accrued expenses	27,888	2,460
Deferred revenue	2,347	(87,300)
Net cash provided by operating activities	488,320	408,452
<b>Cash flows from investing activities:</b>		
(Gains) losses in beneficial interest in perpetual trust	(8,524)	23,891
Reinvestment of dividends	(629)	(700)
Proceeds from sale of investments	647,548	569,913
Purchases of investments	(807,504)	(685,987)
Purchase of property and equipment	(268,396)	(124,256)
Net cash used in investing activities	(437,505)	(217,139)
Net change in cash	50,815	191,313
Cash, beginning of year	574,985	383,672
<b>Cash, end of year</b>	<b>\$ 625,800</b>	<b>574,985</b>

*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 provides approximately 900 meals each day at three soup kitchens (Resource Center, Teen Center, and Florence House) for homeless and low-income individuals and families living in the Greater Portland, Maine area. The programs rely significantly upon volunteer labor. In addition, donated goods are a major source of the food program's provisions. Also, Preble Street's food pantry facilitates the collection and distribution of donated food and groceries for approximately 360 low-income individuals each week.

**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, laundry, storage space, toilet facilities, showers, and other services.

**Community Advocacy** - Preble Street facilitates Homeless Voices for Justice, a consumer led effort doing advocacy on an individual and systems' basis for people who are experiencing homelessness, mental health issues, and poverty. In addition, the Maine Hunger Initiative is an organizing, research and advocacy project focusing on solutions to hunger in the State of Maine.

**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 20 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 was housed in our current Day Shelter and was a temporary solution while we developed Florence House.

**Florence House** - Florence House is a comprehensive program to 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** - The financial statement presentation follows the recommendations of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. Under these recommendations, 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 accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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

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

**Accounts and Grants Receivable** - Preble Street 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 with a value of \$500 or more is capitalized at cost if purchased, or fair value at the date of the gift if donated, and is recorded as an addition to unrestricted net assets. Expenditures for minor additions are charged to expense when incurred. Depreciation is being provided using the straight-line method over the estimated useful lives of the related assets (buildings: 35 to 40 years; major improvements: 20 to 35 years; vehicles: 5 years; computers: 3 to 5 years; and other equipment: 5 to 10 years).

**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) of the Code.

Effective July 1, 2009, the Preble Street adopted the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on Preble Street's financial statements related to the adoption of these provisions, and no interest or penalties related to uncertain tax positions were accrued. Preble Street is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2007 through 2010.

**Reclassifications** - Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

---

**CONCENTRATION OF CREDIT RISK**

---

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2010 and 2009. As of June 30, 2010 and 2009, the aggregate of all accounts for each depositor at each such institution was insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year ended June 30, 2009, additional deposit insurance protection was provided to Preble Street through the FDIC's Transaction Account Guarantee Program. At June 30, 2010 and 2009, Preble Street had no uninsured cash balances.

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

---

**GRANTS TO OTHERS**

---

During the year ended June 30, 2009, Preble Street initiated a campaign to raise funds for the food pantries across the State of Maine. A portion of the funds raised for this purpose were then remitted to the United Way of Greater Portland in a grant with the restriction that the funds were to be distributed to food pantries across the state. Additional funds were then remitted by Preble Street as grants to food pantries within Cumberland County. Total funds raised related to this campaign amounted \$120,000, of which \$112,312 has been granted to others. The remaining portion of the unspent funds, which amounted to \$7,688 and \$13,567 at June 30, 2010 and 2009, respectively, is included in temporarily restricted net assets.

---

**GRANTS RECEIVABLE**

---

Following is a summary of grants receivable at June 30:

	<u>2010</u>	<u>2009</u>
Ingraham - Mainestay	\$ 15,093	15,093
Maine Department of Health and Human Services - Shelter	30,879	25,579
Maine Department of Health and Human Services - Teen Center	4,988	-
Maine Department of Health and Human Services - Florence House	556,376	-
City of Portland Community Development Program	23,976	9,250
City of Portland Community Development Program - Teen Center	19,659	1,250
City of Portland Community Development Program - Women's	19,828	7,500
City of Portland Community Development Program - Meals	19,473	-
Economic Development Initiative - Special Project	196,000	-
City of Portland - General assistance	34,432	32,872
City of Portland - Logan Place	36,500	18,250
City of Portland - Shelter	120,831	58,000
HUD Supportive Housing Grant	74,954	38,608
HUD Logan Place	93,440	114,616
Maine Care - Targeted Case Management	4,462	58,008
Maine State Housing Authority	103,510	113,665
Cumberland County	2,016	7,317
Southern Maine Area Agency on Aging	4,627	2,677
U.S. Department of Health and Human Services	20,457	19,455
Unity at Bayside	-	356
<b>Total grants receivable</b>	<b>\$ 1,381,501</b>	<b>522,496</b>

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

**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 a board-designated endowment 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. The remaining pledges in this campaign were written off as of June 30, 2009, resulting in bad debt expense being recorded in the amount of \$83,403.

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. Contributions to this campaign came from foundations and long time supporters of the Organization and are considered fully collectible. As a result, no allowance for uncollectible pledges is considered necessary. Total pledges receivable for all campaigns, net of unamortized discount and allowance for uncollectible pledges, are summarized as follows at June 30:

	<u>2010</u>	<u>2009</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 247,500	800,000
One year to five years	298,941	920,000
Over five years	-	-
Less unamortized discount at 3%	(27,175)	(50,869)
<b><u>Totals</u></b>	<b><u>\$ 519,266</u></b>	<b><u>1,669,131</u></b>

**CONDITIONAL PROMISES TO GIVE RECEIVABLE**

In June, 2010 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2011. 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, 2010, in accordance with the *Not-for-Profit Entities: Revenue Recognition* topic of the FASB Accounting Standards Codification. The amount of this conditional promise to give is \$350,537. 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, 2011.

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

---

**CONDITIONAL PROMISES TO GIVE RECEIVABLE, CONTINUED**

---

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, with the second being received in August, 2008, and the third being received in July, 2009 after the conditions had been met. Should the remaining conditions be fulfilled, the total outstanding amounts due to be received as of June 30, 2010 and 2009 are \$400,000 and \$600,000, respectively. The fourth installment of \$200,000 was received subsequent to June 30, 2010 and was recorded as revenue in that period.

---

**INVESTMENTS**

---

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

	<u>2010</u>	<u>2009</u>
Mutual funds	\$ 1,150,091	906,845
Equities	9,080	10,044
<b>Totals</b>	<b>\$ 1,159,171</b>	<b>916,889</b>

---

**BENEFICIAL INTEREST IN PERPETUAL TRUST**

---

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

The United Way of Greater Portland Foundation manages and oversees the investment of the assets of the fund. The Preble Street Board of Directors has sole discretion as to the use of the distributable income each year. Each year, the distributable income is equal to 4.5% of the average portfolio value of the Fund over the prior three years. If the fund's value exceeds \$100,000, the Preble Street Board of Directors may elect to expend more than the income generated in a specific year, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals.

As of June 30, 2010 and 2009, the balances in this account were \$114,657 and \$106,133, respectively.

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

---

**ENDOWMENT**

---

As noted earlier, at June 30, 2010 and 2009, Preble Street was the sole beneficiary of a perpetual trust held and administered by a not-for-profit organization. Though Preble Street does not have access to the underlying assets held in this trust, nor control over the management thereof, provisions of the trust instrument do provide Preble Street with the ability to exercise discretion as to the amounts to be drawn from this trust each year. Accordingly, Preble Street's interest in this trust is deemed to meet the definition of a donor-restricted endowment, the purpose of which is to provide investment income and gains to further various activities of Preble Street, per donor intent. Additionally, Preble Street held \$1,136,180 and \$893,555 in its board-designated endowment at June 30, 2010 and 2009, respectively. As noted earlier, this fund was established by the Board through unexpended capital campaign proceeds, and is held by the Board to provide for additional financial stability for the Organization as a whole.

Preble Street has adopted the provisions of the *Not-for-Profit Entities: Reporting Endowment Funds* topic of the FASB Accounting Standards Codification. Under these provisions, Preble Street is required to provide the following disclosures relating to its endowment activities.

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

**Endowment Spending Policy** - Per donor intent, Preble Street is entitled to an annual distribution equal to 4.5% of the value of the donor-restricted endowment fund to support current operations, and may at its discretion withdraw additional monies so long as such distribution does not reduce the value of the fund to an amount less than \$100,000 as adjusted for annual inflation from 1999 forward. No formal spending policy has been adopted for the board-designated endowment, which is expendable at the discretion of the Board of Directors.

**Endowment Investment Policy** - Preble Street's endowment assets are held in a variety of readily marketable securities including money market instruments, equities, and fixed income obligations so as to provide for an appropriate mix of current income and consistent growth so as to achieve the funds' stated objectives.

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

**ENDOWMENT, CONTINUED**

Preble Street's endowment balances were comprised of the following as of June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 1,136,180	-	-	1,136,180
Donor-restricted endowment	-	-	114,657	114,657
<b>Totals</b>	<b>\$ 1,136,180</b>	<b>-</b>	<b>114,657</b>	<b>1,250,837</b>

The changes in Preble Street's endowment balances for the year ending June 30, 2010 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 893,555	-	106,133	999,688
Contributions	103,559	-	-	103,559
Investment return:				
Investment income, net of fees	33,119	-	1,272	34,391
Net appreciation (depreciation)	105,947	-	7,252	113,199
Total investment return	139,066	-	8,524	147,590
Amounts appropriated for expenditure	-	-	-	-
<b>Endowment net assets, end of year</b>	<b>\$ 1,136,180</b>	<b>-</b>	<b>114,657</b>	<b>1,250,837</b>

Preble Street's endowment balances were comprised of the following as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 893,555	-	-	893,555
Donor-restricted endowment	-	-	106,133	106,133
<b>Totals</b>	<b>\$ 893,555</b>	<b>-</b>	<b>106,133</b>	<b>999,688</b>

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

---

**ENDOWMENT, CONTINUED**

---

The changes in Preble Street's endowment balances for the year ending June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 989,748	-	130,024	1,119,772
Contributions	100,000	-	-	100,000
Investment return:				
Investment income, net of fees	35,715	-	1,544	37,259
Net appreciation (depreciation)	(231,908)	-	(25,435)	(257,343)
Total investment return	(196,193)	-	(23,891)	(220,084)
Amounts appropriated for expenditure	-	-	-	-
<b>Endowment net assets, end of year</b>	<b>\$ 893,555</b>	<b>-</b>	<b>106,133</b>	<b>999,688</b>

---

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

---

In accordance with the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification, Preble Street is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

*Level 1:* Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.



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

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

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2010 and 2009, with such valuations all based on readily available market prices for the underlying assets.

	Totals <u>6/30/10</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds	\$ 1,168,251	1,168,251	-	-
Equities	9,080	9,080	-	-
Beneficial interest in perpetual trust	114,657	-	114,657	-
<b>Totals</b>	<b>\$ 1,291,988</b>	<b>1,177,331</b>	<b>114,657</b>	<b>-</b>

	Totals <u>6/30/09</u>	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds	\$ 906,845	906,845	-	-
Equities	10,044	10,044	-	-
Beneficial interest in perpetual trust	106,133	-	106,133	-
<b>Totals</b>	<b>\$ 1,023,022</b>	<b>916,889</b>	<b>106,133</b>	<b>-</b>

**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>2010</u>	<u>2009</u>
Haymarket Peoples Fund	\$ 5,000	10,700
Other	10,047	2,000
<b>Totals</b>	<b>\$ 15,047</b>	<b>12,700</b>

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

---

**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 3.75% at both June 30, 2010 and 2009). This agreement requires an annual clearance period of 30 days, during which the outstanding balance must be brought to and maintained at \$0. At both June 30, 2010 and 2009, there were no amounts outstanding on this line of credit.

---

**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 expired on May 31, 2010. Though a renewal of this lease has not been formalized, rental payments continue to be made on a month-to-month basis.

During the year ended June 30, 2010, Preble Street entered into a non-cancelable operating lease for a portion of the building that houses Florence House. The agreement calls for monthly rental payments of \$6,055 at an interest rate of 4%, and a term of 30 years. As of June 30, future minimum operating lease payments amounted to the following:

<u>For year ended</u>	<u>Total</u>
2010	\$ 72,660
2011	72,660
2012	72,660
2013	72,660
2014	72,660
<u>Thereafter</u>	<u>1,816,500</u>
 <b><u>Total</u></b>	 <b><u>\$ 2,179,800</u></b>

During the years ended June 30, 2010 and 2009, total rent expense incurred by Preble Street related to these agreements amounted to \$56,106 and \$28,805, 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.

---

**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, 2010 and 2009 was \$10,470 and \$10,776, respectively.

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

---

**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

---

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

	<u>2010</u>	<u>2009</u>
Food for Maine	\$ 7,688	13,567
Maine Hunger Initiative	99,889	200,000
Florence House	75,000	250,000
Home for Good/Capacity Building	647,500	1,120,000
<b>Totals</b>	<b>\$ 830,077</b>	<b>1,583,567</b>

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

	<u>2010</u>	<u>2009</u>
Beneficial interest in perpetual trust with income restricted for self sufficiency efforts	<b>\$ 114,657</b>	<b>106,133</b>

As previously discussed, Preble Street has a board-designated endowment fund. At June 30, 2010 and 2009, these board-designated net assets amounted to \$1,136,180 and \$893,555, 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>2010</u>	<u>2009</u>
Food for Maine	\$ 5,879	106,433
Maine Hunger Initiative	260,111	-
Florence House	175,000	-
Capacity building expenditures	472,500	772,500
<b>Totals</b>	<b>\$ 913,490</b>	<b>878,933</b>

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

---

**DONATED SERVICES AND FACILITIES**

---

During the years ended June 30, 2010 and 2009, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$850,507 and \$707,413 for 2010 and 2009, 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 the *Not-for-Profit Entities: Revenue Recognition* topic of the FASB Accounting Standards Codification. 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 \$337,260 in 2010 and \$234,305 in 2009.

**OTHER ECONOMIC CONCENTRATIONS AND RISKS**

---

Approximately 40% of Preble Street's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street's ability to fulfill its mission.

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

**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, 2010 and 2009 these stipends totaled \$45,200 and \$51,239, respectively.

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

	<u>2010</u>	<u>2009</u>
Depreciation	\$ 203,389	183,488
Rent	56,105	28,805
Repairs and maintenance	56,489	46,894
Electricity	54,726	66,586
Water and sewer	30,091	35,140
Gas/heat	45,259	67,837
Trash and snow removal	10,674	8,903
Building supplies	53,071	36,892
Less stipend income	(45,200)	(51,239)
<b>Net occupancy costs</b>	<b>\$ 464,604</b>	<b>423,306</b>

---

**SUBSEQUENT EVENTS**

---

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through December 7, 2010, which is the date these financial statements were issued.