



**PREBLE STREET**

**Financial Statements**

**June 30, 2016 and 2015**

## Independent Auditor's Report

To the Board of Directors of  
Preble Street

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Preble Street (the Organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preble Street as of June 30, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of Preble Street's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Preble Street's internal control over financial reporting and compliance.



November 30, 2016  
South Portland, Maine

**PREBLE STREET**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,228,060	1,984,614
Accounts receivable	69,785	71,200
Pledges receivable, current portion	14,100	326,000
Grants receivable	652,187	780,358
Prepaid expenses	168,586	78,020
Inventory	38,202	41,057
Total current assets	3,170,920	3,281,249
Investments:		
Investments	3,132,276	3,295,684
Beneficial interest in perpetual trust	142,725	150,356
Total investments	3,275,001	3,446,040
Property and equipment:		
Land	422,930	422,930
Buildings and improvements	8,008,883	7,871,382
Equipment	730,796	724,797
Vehicles	25,500	25,500
	9,188,109	9,044,609
Less accumulated depreciation	(3,013,660)	(2,726,005)
Net property and equipment	6,174,449	6,318,604
Other assets:		
Pledges receivable, noncurrent, net	9,701	9,801
Total other assets	9,701	9,801
<b>Total assets</b>	<b>\$ 12,630,071</b>	<b>13,055,694</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	201,238	260,887
Accrued expenses	480,690	389,607
Funds held for others	64,831	19,177
Deferred revenue	35,410	21,478
Capital lease, current portion	3,093	3,001
Total current liabilities	785,262	694,150
Capital lease, net of current portion	4,272	7,365
Total liabilities	789,534	701,515
Net assets:		
Unrestricted:		
Undesignated	1,760,267	1,470,417
Board-designated investments	1,416,862	1,534,515
Investment in property and equipment	6,167,084	6,308,238
Total unrestricted net assets	9,344,213	9,313,170
Temporarily restricted	953,599	1,490,653
Permanently restricted	1,542,725	1,550,356
Total net assets	11,840,537	12,354,179
<b>Total liabilities and net assets</b>	<b>\$ 12,630,071</b>	<b>13,055,694</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Activities**  
**For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenue and support:</b>								
Government grant income	\$ 5,488,512	-	-	5,488,512	5,200,964	-	-	5,200,964
Fee for service income	349,700	-	-	349,700	330,637	-	-	330,637
Contributions	2,901,019	430,003	-	3,331,022	2,097,629	581,896	1,400,000	4,079,525
Donated services	193,646	-	-	193,646	136,495	-	-	136,495
Donated goods	2,298,602	-	-	2,298,602	1,970,243	-	-	1,970,243
United Way	412,161	-	-	412,161	404,149	-	-	404,149
Other income	13,944	-	-	13,944	50,445	-	-	50,445
Interest and dividend income, net	51,791	52,925	-	104,716	83,724	3,213	-	86,937
Realized / unrealized loss on investments	(125,355)	(62,494)	-	(187,849)	(63,979)	(2,584)	-	(66,563)
Change in fair value of trust	-	-	(7,631)	(7,631)	-	-	(2,676)	(2,676)
Total revenue and support	11,584,020	420,434	(7,631)	11,996,823	10,210,307	582,525	1,397,324	12,190,156
Net assets released from restrictions:	957,488	(957,488)	-	-	1,073,052	(1,073,052)	-	-
<b>Total revenue, support, and reclassifications</b>	<b>12,541,508</b>	<b>(537,054)</b>	<b>(7,631)</b>	<b>11,996,823</b>	<b>11,283,359</b>	<b>(490,527)</b>	<b>1,397,324</b>	<b>12,190,156</b>
<b>Program expenses:</b>								
Food programs	3,005,897	-	-	3,005,897	2,736,160	-	-	2,736,160
Resource Center	1,441,196	-	-	1,441,196	1,306,703	-	-	1,306,703
Veterans Services	1,617,784	-	-	1,617,784	1,602,412	-	-	1,602,412
Maine Hunger Initiative	242,330	-	-	242,330	237,046	-	-	237,046
Community Advocacy	176,070	-	-	176,070	173,643	-	-	173,643
Teen Center	691,398	-	-	691,398	814,570	-	-	814,570
Kreisler Shelter	630,758	-	-	630,758	554,961	-	-	554,961
Clinical Intervention Team	951,611	-	-	951,611	797,489	-	-	797,489
Logan Place	538,926	-	-	538,926	527,406	-	-	527,406
Florence House	1,350,644	-	-	1,350,644	1,286,922	-	-	1,286,922
First Place	252,024	-	-	252,024	236,221	-	-	236,221
Anti-trafficking	258,234	-	-	258,234	265,880	-	-	265,880
Total program expenses	11,156,872	-	-	11,156,872	10,539,413	-	-	10,539,413
<b>Supporting services:</b>								
Administration	1,088,439	-	-	1,088,439	900,171	-	-	900,171
Fundraising	265,154	-	-	265,154	151,789	-	-	151,789
Total supporting services	1,353,593	-	-	1,353,593	1,051,960	-	-	1,051,960
<b>Total expenses</b>	<b>12,510,465</b>	<b>-</b>	<b>-</b>	<b>12,510,465</b>	<b>11,591,373</b>	<b>-</b>	<b>-</b>	<b>11,591,373</b>
Change in net assets	31,043	(537,054)	(7,631)	(513,642)	(308,014)	(490,527)	1,397,324	598,783
Net assets, beginning of year	9,313,170	1,490,653	1,550,356	12,354,179	9,621,184	1,981,180	153,032	11,755,396
<b>Net assets, end of year</b>	<b>\$ 9,344,213</b>	<b>953,599</b>	<b>1,542,725</b>	<b>11,840,537</b>	<b>9,313,170</b>	<b>1,490,653</b>	<b>1,550,356</b>	<b>12,354,179</b>

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

	Program services											Supporting services			Total expenses		
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Shelter	Clinical Intervention	Logan Place	Florence House	First Place	Anti-Trafficking	Total	Administration		Fundraising	Total
Salaries	\$ 492,776	717,564	707,892	90,978	107,731	417,990	441,558	607,380	413,278	890,468	133,589	130,315	5,151,519	659,276	163,234	822,510	5,974,029
Payroll taxes and employee benefits	108,875	152,594	169,838	21,607	25,812	97,385	101,504	145,187	91,841	193,923	31,655	31,341	1,171,562	204,044	39,441	243,485	1,415,047
Outside services	49	21,236	103,418	7	7	274	275	287	21	48	10	10	125,642	23,090	8	23,098	148,740
Donated services	8,981	11,837	17,134	60,857	1,837	-	-	11,176	5,654	27,401	-	6,743	151,620	42,026	-	42,026	193,646
Program expenses	80,576	16,763	433,310	33,082	396	8,543	1,919	6,964	2,886	19,330	58,521	23,457	685,747	5,582	1,551	7,133	692,880
Subcontracts	-	-	10,695	-	-	32,000	-	48,814	-	-	-	33,981	125,490	-	-	-	125,490
Food	227,959	-	-	-	-	8,985	-	-	-	14,999	-	-	251,943	-	-	-	251,943
Donated goods	1,870,913	367,810	-	1,020	1,540	25,577	-	-	4,072	10,465	-	-	2,281,397	17,205	-	17,205	2,298,602
Occupancy	107,432	77,413	49,055	3,232	10,420	34,352	31,292	48,313	3,501	122,690	7,536	5,158	500,394	24,121	3,596	27,717	528,111
Telephone	817	1,439	6,807	214	1,063	388	305	3,935	459	840	696	1,726	18,689	2,285	162	2,447	21,136
Office supplies	1,456	4,280	4,967	426	517	2,674	2,716	3,084	1,060	3,406	842	926	26,354	7,568	1,334	8,902	35,256
Technology	8,897	9,391	17,842	2,009	1,948	5,897	5,324	11,840	5,199	19,433	2,014	3,725	93,519	16,878	11,991	28,869	122,388
Printing	67	219	353	880	79	150	26	306	74	348	19	89	2,610	8,058	15,333	23,391	26,001
Insurance	4,953	4,692	7,082	799	767	2,951	2,790	4,156	2,342	5,808	1,127	1,111	38,578	462	923	1,385	39,963
Professional fees	3,685	3,430	5,177	584	561	2,157	2,039	3,257	1,712	5,120	824	812	29,358	339	675	1,014	30,372
Postage	1,274	1,199	2,420	204	196	752	714	1,063	648	1,493	288	290	10,541	459	7,451	7,910	18,451
Staff development	2,730	4,773	8,848	3,400	592	6,872	9,694	9,943	2,248	8,882	2,423	3,511	63,916	9,262	1,623	10,885	74,801
Travel	2,766	2,958	44,790	3,933	3,953	1,491	102	8,845	318	1,922	974	5,612	77,664	7,674	539	8,213	85,877
Jesuit and VISTA volunteers	10,450	-	-	12,706	-	458	-	-	-	765	-	-	24,379	-	-	-	24,379
Volunteer support	1,633	1,592	2,402	271	260	1,001	946	1,410	794	1,991	382	377	13,059	8,330	445	8,775	21,834
Training/advocacy stipend	-	-	-	200	9,350	12,008	-	-	-	-	4,329	-	25,887	-	-	-	25,887
Research and evaluation	2,747	2,716	930	105	2,101	5,933	366	546	308	922	148	2,646	19,468	6,336	521	6,857	26,325
Other	3,456	2,687	2,673	497	394	2,126	2,031	2,356	1,504	3,437	486	618	22,265	9,561	9,827	19,388	41,653
	2,942,492	1,404,593	1,595,633	237,011	169,524	669,964	603,601	918,862	537,919	1,333,691	245,863	252,448	10,911,601	1,052,556	258,654	1,311,210	12,222,811
Depreciation expense	63,405	36,603	22,151	5,319	6,546	21,434	27,157	32,749	1,007	16,953	6,161	5,786	245,271	35,883	6,500	42,383	287,654
<b>Total expenses</b>	<b>\$ 3,005,897</b>	<b>1,441,196</b>	<b>1,617,784</b>	<b>242,330</b>	<b>176,070</b>	<b>691,398</b>	<b>630,758</b>	<b>951,611</b>	<b>538,926</b>	<b>1,350,644</b>	<b>252,024</b>	<b>258,234</b>	<b>11,156,872</b>	<b>1,088,439</b>	<b>265,154</b>	<b>1,353,593</b>	<b>12,510,465</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2015**

	Program services												Supporting services			Total expenses	
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Shelter	Clinical Intervention	Logan Place	Florence House	First Place	Anti-Trafficking	Total	Administration	Fundraising		Total
Salaries	\$ 469,656	640,505	598,694	99,513	104,442	488,287	341,256	449,826	393,683	821,510	118,342	118,053	4,643,767	552,130	89,163	641,293	5,285,060
Payroll taxes and employee benefits	115,367	150,870	149,593	25,743	27,728	124,204	82,505	118,670	95,492	195,298	31,360	31,271	1,148,101	222,281	23,448	245,729	1,393,830
Outside services	253	20,468	83,189	49	42	212	140	200	130	329	60	19,912	124,984	13,477	38	13,515	138,499
Donated services	6,947	22,627	5,819	44,925	6,237	-	-	5,280	13,354	25,531	-	5,621	136,341	154.0	-	154	136,495
Program expenses	68,383	23,796	450,704	30,275	1,282	12,850	7,233	2,124	2,931	22,402	62,344	31,791	716,115	4,726	619	5,345	721,460
Subcontracts	-	-	131,721	-	-	32,000	-	116,896	-	-	-	28,124	308,741	-	-	-	308,741
Food	231,853	-	-	-	-	10,396	-	-	-	15,545	-	-	257,794	-	-	-	257,794
Donated goods	1,623,856	306,910	240	690	-	22,419	-	900	3,116	10,117	395	600	1,969,243	1,000	-	1,000	1,970,243
Occupancy	117,783	75,887	50,529	5,795	8,054	49,955	49,137	45,175	3,974	129,421	4,890	10,535	551,135	18,041	2,363	20,404	571,539
Telephone	685	870	4,711	605	746	536	251	2,675	332	719	752	1,328	14,210	1,222	117	1,339	15,549
Office supplies	1,803	3,965	4,025	795	323	2,947	4,568	2,304	1,103	5,920	224	875	28,852	5,135	982	6,117	34,969
Technology	6,061	6,560	15,789	1,304	1,296	7,215	8,700	12,474	3,239	11,168	1,618	4,212	79,636	8,393	6,372	14,765	94,401
Printing	121	1,252	163	2,089	62	542	78	377	51	86	93	94	5,008	2,302	11,616	13,918	18,926
Insurance	4,789	4,675	7,659	918	802	3,966	2,641	3,782	2,447	6,234	1,128	1,236	40,277	335	723	1,058	41,335
Professional fees	2,631	4,611	4,202	503	440	2,172	1,449	2,225	1,342	3,420	619	678	24,292	473	547	1,020	25,312
Postage	1,436	1,403	2,557	275	241	1,190	792	1,135	766	1,871	339	380	12,385	380	3,329	3,709	16,094
Staff development	2,139	3,742	6,006	487	762	2,578	4,276	4,318	1,336	7,459	898	1,123	35,124	2,517	657	3,174	38,298
Travel	1,968	1,212	52,663	4,429	5,380	5,628	2,573	6,979	501	1,963	1,820	3,561	88,677	5,311	61	5,372	94,049
Jesuit and VISTA volunteers	9,612	-	-	10,231	-	463	-	-	-	696	-	-	21,002	-	-	-	21,002
Volunteer support	1,738	1,703	2,789	334	344	1,448	962	1,377	891	2,272	411	450	14,719	11,416	459	11,875	26,594
Training/advocacy stipend	-	-	-	30	10,200	10,860	-	-	-	-	5,779	150	27,019	-	-	-	27,019
Research and evaluation	278	271	5,945	53	47	231	153	220	142	362	66	72	7,840	8,133	42	8,175	16,015
Other	2,144	2,888	2,467	495	416	2,336	1,632	1,753	1,442	3,159	458	1,381	20,571	15,508	7,539	23,047	43,618
Depreciation expense	66,657	32,488	22,947	7,508	4,799	32,135	46,615	18,799	1,134	21,440	4,625	4,433	263,580	27,237	3,714	30,951	294,531
<b>Total expenses</b>	<b>\$ 2,736,160</b>	<b>1,306,703</b>	<b>1,602,412</b>	<b>237,046</b>	<b>173,643</b>	<b>814,570</b>	<b>554,961</b>	<b>797,489</b>	<b>527,406</b>	<b>1,286,922</b>	<b>236,221</b>	<b>265,880</b>	<b>10,539,413</b>	<b>900,171</b>	<b>151,789</b>	<b>1,051,960</b>	<b>11,591,373</b>

*See accompanying notes to financial statements.*

**PREBLE STREET**  
**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (513,642)	598,783
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	287,654	294,531
Change in unamortized discount	-	(22,457)
Realized and unrealized loss on investments	187,849	66,563
Loss in value of beneficial interest in perpetual trust	7,631	2,676
Endowment contributions	-	(1,400,000)
(Increase) decrease in assets:		
Accounts receivable	1,415	(17,665)
Pledges receivable	312,000	482,858
Grants receivable	128,171	(63,615)
Prepaid expenses	(90,566)	46,058
Inventory	2,855	(2,892)
Increase (decrease) in liabilities:		
Accounts payable	(59,649)	133,447
Accrued expenses	91,083	95,826
Funds held for others	45,654	19,177
Deferred revenue	13,932	21,478
<b>Net cash provided by operating activities</b>	<b>414,387</b>	<b>254,768</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	228,303	893,277
Purchases of investments	(252,744)	(2,456,135)
Purchase of property and equipment	(143,499)	(34,095)
<b>Net cash used in investing activities</b>	<b>(167,940)</b>	<b>(1,596,953)</b>
<b>Cash flows from financing activities:</b>		
Endowment contributions	-	1,400,000
Payments on capital lease	(3,001)	(2,911)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,001)</b>	<b>1,397,089</b>
<b>Net change in cash</b>	<b>243,446</b>	<b>54,904</b>
Cash, beginning of year	1,984,614	1,929,710
<b>Cash, end of year</b>	<b>\$ 2,228,060</b>	<b>1,984,614</b>
<b>Supplemental disclosures:</b>		
Cash paid during the year for interest	\$ 273	363

*See accompanying notes to financial statements.*



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

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DESCRIPTION OF PURPOSE

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Preble Street is a nonprofit corporation whose mission is to provide accessible, barrier free services to empower people experiencing problems with homelessness, housing, hunger, and poverty, and to advocate for solutions to these problems.

**Resource Center**

Drop-in services 365 days a year for adults and families, meeting basic needs—e.g. showers, mail—of approximately 400 people a day, as well as street outreach, case management, employment services, and connection to resources for housing, health care, mental health care, addiction treatment, legal assistance, and education to empower people to move beyond homelessness.

**Clinical Intervention**

Case managers and peer navigators work in shelters and on the streets to engage homeless individuals with mental illness or co-occurring substance use disorders, linking them to basic needs, housing, treatment, and community resources. Case managers also work with chronically homeless individuals to provide follow up and connection to mainstream resources and develop the skills to support their transition from homelessness to residential stability in public and private housing.

**Teen Services**

Operates 24/365 to meet basic needs of 40-60 homeless and runaway youth a day, ages 12-20, including:

Teen Center: Drop-in open 8am-8pm to provide meals, clothing, showers, mail, etc., as well as street outreach, case management, and on-site collaborative services connecting youth to housing, healthcare, mental health care and addiction treatment, educational/vocational services, and legal resources.

Joe Kreisler Teen Shelter: 24-bed overnight emergency shelter and support, located across the street from the Teen Center, and open 8pm-8am.

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

**Anti-Trafficking Coalition**

Comprehensive and collaborative service coordination and support in southern Maine for victims of all human trafficking—including sex trafficking and exploitation and labor trafficking—focused on identifying victims, training providers in best practices, and providing outreach, emergency services, case management, and interdisciplinary service planning and intervention for more than 60 individuals a year.

**Food Programs**

Soup Kitchens: Operate at the Resource Center, Teen Center, and Florence House, to serve nutritious meals 3 times a day, 365 days a year to 400-500 individuals (approximately 395,000 meals a year).

Food Pantry: Distributes emergency grocery meals to 140-180 families every week (approximately 235,000 meals a year).

**Florence House**

Permanent Apartments & Safe Haven: 25 efficiency apartments and 15 semi-private units with support services to assist tenants developing skills to maintain stable independent housing.

Emergency Shelter: providing safety, basic services, case management support, and housing assistance for 25 homeless women 24/365.

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

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DESCRIPTION OF PURPOSE, CONTINUED

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**Logan Place**

Provides 30 units of safe, affordable, permanent housing and support services to help tenants achieve their goals, including living independently, re-integrating into the community, and reconnecting with families.

**Advocacy**

Homeless Voices for Justice: Advocating on an individual and systems basis with and for people who struggle with homelessness, poverty, and oppression statewide.

Maine Hunger Initiative: Strengthening Maine's emergency food system by promoting best practices and ensuring adequate nutrition for people living in poverty across Maine by leading and informing efforts to create state and national policies and programs to end hunger.

Veterans Healthcare Outreach: Advancing health reform through outreach, education, and enrollment of low and moderate income veterans and their families throughout Maine.

**Veterans Housing Services**

Rapid re-housing and homelessness prevention to ensure residential stability for veterans' households that are homeless or at risk throughout Maine from offices in Portland, Lewiston, and Bangor. Using a collaborative and holistic approach, the program supports the housing goals of veterans in urban and rural communities with many entry points and a coordinated continuum of support and housing options.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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**Basis of Presentation** - The financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions* and FASB ASC 958-205 *Presentation of Financial Statements*. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Preble Street, and changes therein, are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Preble Street and/or the passage of time. Preble Street has elected to report all temporarily restricted assets with restrictions which are met within the same fiscal period, as unrestricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by Preble Street. Generally, the donors of the assets permit Preble Street to use all or part of the income earned on related investments for general or specific purposes.

**Basis of Accounting** - The financial statements are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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 \$5,000 or more is capitalized at cost if purchased, or fair value at the date of the gift if donated, and is recorded as an addition to unrestricted net assets. Expenditures for minor additions are charged to expense when incurred. Depreciation is being provided using the straight-line method over the estimated useful lives of the related assets (buildings: 35 to 40 years; major improvements: 20 to 35 years; vehicles: 5 years; computers: 3 to 5 years; and other equipment: 5 to 10 years).

**Indirect Costs** - Preble Street allocates indirect costs to programs in accordance with a cost allocation plan, which is based on several methods that determine each program's use of indirect costs.

**Grants and Contributions** - Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**Income Taxes** - Preble Street is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Preble Street's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Preble Street qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

Preble Street follows the provisions of FASB ASC 740-10 *Accounting for Uncertainty in Income Taxes*. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on Preble Street's financial statements related to these provisions, and no interest or penalties related to uncertain tax positions were accrued. Preble Street is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2013 through 2016.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Reclassifications** - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Such reclassifications had no effect on the results of operations as previously reported.

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

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CONCENTRATION OF CREDIT RISK

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Cash balances were held in accounts at various financial institutions during the years ended June 30, 2016 and 2015. As of June 30, 2016 and 2015, Preble Street's accounts at each such institution were insured by the Federal Deposit Insurance Corporation at levels set by applicable statute and regulation. In addition, Preble Street entered into a repurchase sweep agreement at one institution whereby amounts greater than the FDIC insured limit are swept into an overnight repurchase investment account. At June 30, 2016 and 2015, Preble Street had uninsured cash balances of \$633,003 and \$339,114, respectively.

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GRANTS RECEIVABLE

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Following is a summary of grants receivable at June 30:

	<u>2016</u>	<u>2015</u>
Avesta Housing	\$ 117,042	111,306
Catholic Charities of Maine	94,750	201,570
City of Portland	60,409	104,662
Maine State Housing Authority	64,542	50,679
Cumberland County	6,311	6,541
U.S. Department of Justice	45,956	53,479
Southern Maine Area Agency on Aging	11,375	10,441
U.S. Department Housing and Urban Development	40,792	10,876
U.S. Department of Health and Human Services	11,694	16,273
State of Maine DHHS	55,440	87,692
Coastal Enterprises, Inc.	1,200	3,920
U.S. Department of Veterans Affairs	142,676	122,919
<b>Total grants receivable</b>	<b>\$ 652,187</b>	<b>780,358</b>

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

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**PLEDGES RECEIVABLE**

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In fiscal 2012, Preble Street launched a capital campaign to raise funds for the purchase and renovation of a property located at 38 Preble Street. Now fully renovated, the building serves as the new home for the Lighthouse Shelter and has been renamed the Joe Kreisler Shelter, in honor of Preble Street's founder.

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

	<u>2016</u>	<u>2015</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 14,100	326,000
One year to five years	10,300	10,400
Over five years	-	-
Less unamortized discount at 6%	(599)	(599)
	23,801	335,801
Less current portion	(14,100)	(326,000)
<b><u>Non-current portion</u></b>	<b><u>\$ 9,701</u></b>	<b><u>9,801</u></b>

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**CONDITIONAL PROMISES TO GIVE RECEIVABLE**

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In June, 2016 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2017. 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, 2016, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$325,272. 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, 2017.

In December, 2013, Preble Street was awarded a grant by a private foundation for the purpose of starting a youth transitional living program. The total grant amount is for \$813,000 and is to be paid out in equal installments over a three year period upon the completion of agreed upon milestones for the project. The first payment of \$271,000 was received in 2014, the second payment of \$271,000 was received in 2015, and the third and final payment was received in 2016. Given the conditional nature of this grant, Preble Street believed the likelihood of non-fulfillment was more than remote, and as such, the grant was not recorded as a promise to give receivable. The payments of this grant were treated as revenue when the conditions of the grant were met and payment was received.

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

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**INVESTMENTS**

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

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 2,283,691	2,437,251
Exchange-traded funds	795,710	789,751
Money market funds and cash equivalents	7,211	16,660
Alternative investments	45,664	52,022
<b>Totals</b>	<b><u>\$ 3,132,276</u></b>	<b><u>3,295,684</u></b>

For the years ended June 30, 2016 and 2015, realized and unrealized losses on investments totaled \$187,849 and \$66,563, respectively. Interest and dividend income of \$104,716 and \$86,937 for the years ended June 30, 2016 and 2015, respectively, are shown net of related fees of \$15,642 and \$13,330 for the same respective periods.

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**BENEFICIAL INTEREST IN PERPETUAL TRUST**

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

The United Way of Greater Portland Foundation manages and oversees the investment of the assets of the fund. The Preble Street Board of Directors has sole discretion as to the use of the distributable income each year. Each year, the distributable income is equal to 4.5% of the average portfolio value of the fund over the prior three years. If the fund's value exceeds \$100,000, the Preble Street Board of Directors may elect to expend more than the income generated in a specific year, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals. As of June 30, 2016 and 2015, the balances in this account were \$142,725 and \$150,356, respectively.

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**ENDOWMENT**

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At June 30, 2016 and 2015, Preble Street had Board-designated and donor-restricted endowment funds totaling \$2,917,498 and \$3,078,968, respectively. The purpose of this fund is to generate income to be used to provide annual support to the ongoing operations of the Organization. Preble Street has adopted the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, Preble Street is required to provide the following disclosures relating to its endowment activities.

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

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

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ENDOWMENT, CONTINUED

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(depreciation) on permanent endowment investments is reported as increases (decreases) in temporarily restricted endowment investments until appropriated by the Board, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

**Endowment Spending Policy** - The responsibility of setting the spending policy for the Board-designated and donor-restricted endowments shall rest with the Executive Committee of the Board of Directors, subject to the approval of the entire Board of Directors. The amount available to help meet the annual operating needs of Preble Street shall be based upon the following principles:

- No portion of the Board-designated endowment fund will be spent until the value of the pool equals or exceeds \$1,050,000 at the end of the fiscal year.
- Donor-restricted endowment fund agreement mandates that no spending is allowed that would make the value of the investment less than the original corpus amount of \$1,400,000.
- Thereafter, the endowment funds can be spent up to an annual cap calculated at five percent of the average total fund value, as of the end of each of the immediately preceding four fiscal years, net of fees and all other expenses. For purposes of calculating this four-year average, fiscal years before which the net value of the funds was not at \$1,050,000 as of the end of the fiscal year, shall be ignored.
- This is a maximum amount and Preble Street can elect to spend less should it choose to do so.

Distributions from the Board-designated endowment were \$73,000 and \$72,000, in 2016 and 2015, respectively. There were no distributions made from the donor-restricted endowment fund in 2016 or 2015, respectively.

**Endowment Investment Policy** - The primary objective of Preble Street's endowment fund is to provide, over time, an increasing flow of real income (as defined by the spending policy) to help support the annual operating budget of Preble Street. The investment policy is directed toward maximizing such a flow of income, measured in terms of total return balanced against prudent risks, over the long term.

The overall investment philosophy will be moderately conservative, allowing for equity investments but with a relatively low level of risk tolerance. Both equity and fixed income investments will be prudently diversified with a blend of equities, bonds, and cash being recommended by the investment committee. All long range investments of the endowment fund will consist of either cash or publicly traded securities.

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

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ENDOWMENT, CONTINUED

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

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

(a) From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Preble Street to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$42,089 as of June 30, 2016. This deficiency is the result of unfavorable market fluctuations that have occurred since the permanently restricted gift was received and invested. As of June 30, 2015, deficiencies of this nature that were reported as unrestricted net assets were \$5,903.

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

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

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



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

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ENDOWMENT, CONTINUED

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Preble Street's endowment balances were comprised of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Donor-restricted endowment (a)	\$ (5,903)	-	1,550,356	1,544,453
Board-designated endowment	1,534,515	-	-	1,534,515
<b>Totals</b>	<b>\$ 1,528,612</b>	<b>-</b>	<b>1,550,356</b>	<b>3,078,968</b>

The changes in Preble Street's endowment balances for the year ended June 30, 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,582,947	-	153,032	1,735,979
Contributions	15,000	-	1,400,000	1,415,000
(Distributions)	(72,000)	-	-	(72,000)
Investment return:				
Investment income, net of fees	54,296	2,584	-	56,880
Net appreciation (c)	(51,631)	(2,584)	(2,676)	(56,891)
Total investment return	2,665	-	(2,676)	(11)
<b>Endowment net assets, end of year</b>	<b>\$ 1,528,612</b>	<b>-</b>	<b>1,550,356</b>	<b>3,078,968</b>

(c) According to the provisions of FASC 958-205-45-22 *Losses of an Endowment Fund*, the decline in the fair value of the assets of the donor-restricted endowment fund reduces temporarily restricted net assets by \$2,584, the remaining loss of \$5,903 reduces unrestricted net assets.

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

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ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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In accordance with FASB ASC 820-10 *Fair Value Measurements and Disclosure*, Preble Street is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements. The guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

*Level 1:* Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

*Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

*Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Preble Street management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

The table below segregates all financial assets and liabilities as of June 30, 2016 and 2015 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

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

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

Alternative investments

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

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

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ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

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	Fair value measurements at 06/30/15 using:			
	Totals 06/30/15	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds	\$ 2,437,251	2,437,251	-	-
Exchange-traded funds	789,751	789,751	-	-
Money market funds and cash equivalents	16,660	16,660	-	-
Alternative Investments	52,022	-	-	52,022
Beneficial interest in perpetual trust	150,356	-	150,356	-
<b>Totals</b>	<b>\$ 3,446,040</b>	<b>3,243,662</b>	<b>150,356</b>	<b>52,022</b>

Fair value measurements at 06/30/15 using:  
Significant unobservable inputs (Level 3)

Alternative investments

<b>Opening balance</b>	<b>\$ -</b>
Purchases	50,750
Total gains or losses included in change in net assets, net	2,022
Purchases, issues, sales and settlements	-
Fees	(750)
<b>Closing balance</b>	<b>\$ 52,022</b>
Change in unrealized gains or losses For the period included in changes in net assets at 06/30/15	<b>\$ 2,022</b>

Transfers between levels of assets are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers into or out of any level of assets or liabilities during the years ended June 30, 2016 and 2015.

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LINE OF CREDIT

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Preble Street has available a line of credit agreement with a financial institution for a maximum borrowing limit of \$350,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 4.00%, and 3.75% at June 30, 2016 and 2015). At June 30, 2016 and 2015, there were no amounts outstanding on this line of credit.

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

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**OBLIGATION UNDER OPERATING LEASE**

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Preble Street holds a number of non-cancelable operating leases. The leases are for the use of office space and equipment, program space including the safe haven and shelter portions of the building that houses Florence House and apartments for the First Place Program, and the use of certain vehicles. The agreements call for monthly rental payments ranging from \$56 to \$5,926, and can be adjusted annually to reflect changes in the related facility's operating expenses, the lease terms range from 1 – 30 years. As of June 30, 2016 future minimum operating lease payments amounted to the following:

<u>For year ended</u>	<u>Total</u>
2017	\$ 84,614
2018	73,955
2019	71,112
2020	71,112
2021	71,112
Thereafter	1,262,238
<b>Total</b>	<b><u>\$ 1,634,143</u></b>

During the years ended June 30, 2016 and 2015, total rent expense incurred by Preble Street related to these agreements amounted to \$164,800 and \$154,089, respectively.

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**OBLIGATION UNDER CAPITAL LEASE**

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During 2014, Preble Street secured the use of certain office equipment under the terms of a capital lease. The cost basis of equipment thus capitalized amounted to \$15,169 at both June 30, 2016 and 2015. Accumulated depreciation amounted to (\$5,765) and (\$3,598) at June 30, 2016 and 2015, respectively. Future minimum required payments under this lease are as follows for the year ended June 30:

2017	\$ 3,274
2018	3,274
2019	1,090
Subtotal	7,638
<u>Less amounts representing interest</u>	<u>(273)</u>
Principal balance	7,365
<u>Less current portion</u>	<u>(3,093)</u>
<b>Non-current principal portion</b>	<b><u>\$ 4,272</u></b>

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**CONTINGENCIES**

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

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

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**PENSION PLAN**

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Preble Street participates in a tax deferred investment plan under section 403(b) of the Internal Revenue Code. Eligible employees are able to defer salary and participate in the employer match portion of the plan. Total retirement expense under this plan for the years ended June 30, 2016 and 2015 amounted to \$32,052 and \$25,018, respectively.

During fiscal year 2015, Preble Street began participating in a retirement plan under Internal Revenue Service Code Section 457(b) for the benefit of each officer of the Organization. The plan stipulates that annual contributions will be made on behalf of each participant in an amount determined at the sole discretion of the Executive Committee of the Board of Directors. Total expenses incurred under this plan amounted to \$36,858 and \$45,518 for the years ended June 30, 2016, and 2015, respectively. Total plan assets and the corresponding retirement plan liability of \$82,375 and \$45,518 as of June 30, 2016 and 2015, respectively, are included in cash and accrued expenses in the statements of financial position.

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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

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

	<u>2016</u>	<u>2015</u>
Maine Hunger Initiative	\$ 55,000	161,450
Community Advocacy	-	31,357
38 Preble Street Building and Operating Fund	643,490	783,559
First Place Program	216,898	232,649
Capacity Building Support	-	250,000
Project Youth Count	13,211	31,638
Learning Collaborative	25,000	-
<b>Totals</b>	<b>\$ 953,599</b>	<b>1,490,653</b>

Included within the 38 Preble Street Building and Operating fund are funds intended to supplement the budget of the Teen Services programs, as needed, in future years.

The Capacity building support grant was unrestricted as to its use, but was intended to provide operating support across a three year period, thus releasing \$250,000 each year.

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

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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED**

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

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trust with income restricted for self-sufficiency efforts	\$ 142,725	150,356
<u>Permanently restricted endowment</u>	<u>1,400,000</u>	<u>1,400,000</u>
<b>Totals</b>	<b>\$ 1,542,725</b>	<b>1,550,356</b>

As previously discussed, Preble Street has a board-designated endowment fund. At June 30, 2016 and 2015, these board-designated net assets amounted to \$1,416,862 and \$1,534,515, respectively.

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**NET ASSETS RELEASED FROM RESTRICTIONS**

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The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Food	\$ -	233,750
Kreisler Shelter	140,000	140,000
Maine Hunger Initiative	170,953	114,335
Community advocacy	46,357	68,925
Capacity building	250,000	250,000
Project youth count	63,427	6,562
<u>First Place Program</u>	<u>286,751</u>	<u>259,480</u>
<b>Totals</b>	<b>\$ 957,488</b>	<b>1,073,052</b>

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**DONATED SERVICES AND GOODS**

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During the years ended June 30, 2016 and 2015, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$2,492,248 and \$2,106,738 for 2016 and 2015, respectively, have been reflected in the accompanying financial statements as public support with a like amount included in expenses as donated services and goods, food commodities, and food and program expenses.

The value of nonprofessional, donated services is not reflected in the accompanying financial statements as these services do not meet the criteria outlined in FASB ASC 958-605 *Revenue Recognition-Contributions*. However, Preble Street utilizes in excess of 5,500 nonprofessional volunteers that have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$648,210 in 2016 and \$623,880 in 2015.

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

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**OTHER ECONOMIC CONCENTRATIONS AND RISKS**

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Approximately 55% of Preble Street's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street's ability to fulfill its mission.

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

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**RENTAL INCOME**

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Preble Street owns and operates two buildings in Portland, Maine that house Preble Street's programs as well as various other social welfare programs provided by other nonprofit and governmental agencies. These agencies are tenants-at-will and pay monthly stipends to help support the costs of occupying the facilities. During the years ended June 30, 2016 and 2015 these stipends totaled \$4,240 and \$50,240, respectively.

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**SUBSEQUENT EVENTS**

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In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through November 30, 2016, which is the date these financial statements were available to be issued.