

PREBLE STREET

Financial Statements

June 30, 2013 and 2012

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 statement of financial position as of June 30, 2013 and 2012, 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 audit 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.

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, 2013 and 2012 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 October 31, 2013 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.



October 31, 2013
South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 1,399,542	3,476,337
Investments	1,431,197	1,346,053
Accounts receivable	19,665	1,546
Pledges receivable, current portion	224,384	423,851
Grants receivable	962,464	548,624
Prepaid expenses	85,436	83,513
Inventory	36,390	30,825
Total current assets	4,159,078	5,910,749
Property and equipment:		
Land	422,930	274,380
Buildings and improvements	7,795,325	5,035,438
Construction in progress	34,029	1,346,011
Equipment	700,215	762,338
Vehicles	25,500	25,500
	8,977,999	7,443,667
Less accumulated depreciation	(2,184,899)	(2,055,175)
Net property and equipment	6,793,100	5,388,492
Other assets:		
Pledges receivable, noncurrent, net	322,960	507,425
Beneficial interest in perpetual trust	134,575	125,630
Total other assets	457,535	633,055
Total assets	\$ 11,409,713	11,932,296
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	248,847	322,215
Accrued expenses	242,449	234,311
Deferred revenue	2,419	-
Total current liabilities	493,715	556,526
Total liabilities	493,715	556,526
Net assets:		
Unrestricted:		
Undesignated	1,263,548	1,168,083
Board-designated investments	1,411,352	1,311,754
Investment in property and equipment	6,793,100	5,388,492
Total unrestricted net assets	9,468,000	7,868,329
Temporarily restricted	1,313,423	3,381,811
Permanently restricted	134,575	125,630
Total net assets	10,915,998	11,375,770
Total liabilities and net assets	\$ 11,409,713	11,932,296

See accompanying notes to financial statements.

PREBLE STREET
Statements of Activities
Years Ended June 30, 2013 and 2012

	2013	2012
Unrestricted net assets:		
Unrestricted support:		
Government grant income	\$ 3,905,301	3,261,159
Fee for service income	249,780	284,648
Contributions	510,557	474,594
Foundation income	696,665	1,049,665
Donated services	94,012	82,720
Donated goods	1,331,311	1,109,322
United Way	466,701	444,100
Net realized/unrealized gains (losses) on investments	103,857	(105,083)
Interest and dividend income	56,053	48,627
Other income	36,783	37,075
Total unrestricted support	7,451,020	6,686,827
Net assets released from restrictions	3,282,994	2,071,215
Total unrestricted support and reclassifications	10,734,014	8,758,042
Expenses:		
Program services:		
Food Programs	2,175,589	1,829,814
Resource Center	1,415,933	1,346,620
Veterans Services	841,523	474,767
Maine Hunger Initiative	264,637	237,909
Community Advocacy	125,424	129,033
Teen Center	902,831	784,904
Kreislser Shelter	533,683	405,430
Logan Place	558,874	522,940
Clinical Intervention Team	240,563	-
Florence House	1,158,001	1,094,902
Total program services	8,217,058	6,826,319
Supporting services:		
38 Preble	22,121	23,118
Administrative	618,106	646,060
Development	277,058	215,787
Total supporting services	917,285	884,965
Total expenses	9,134,343	7,711,284
Change in unrestricted net assets	1,599,671	1,046,758
Temporarily restricted net assets:		
Contributions	1,214,606	4,773,026
Net assets released from restrictions	(3,282,994)	(2,071,215)
Change in temporarily restricted net assets	(2,068,388)	2,701,811
Permanently restricted net assets:		
Net investment gains (losses)	8,945	(8,758)
Change in permanently restricted nets assets	8,945	(8,758)
Change in net assets	(459,772)	3,739,811
Net assets, beginning of year	11,375,770	7,635,959
Net assets, end of year	\$ 10,915,998	11,375,770

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2013

	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	Total	38 Preble	Administrative	Fundraising & Community Relations		Total
Salaries	\$ 454,961	769,818	228,599	122,616	76,733	539,775	280,571	118,147	399,816	724,287	3,715,323	-	376,612	147,874	524,486	4,239,809
Payroll taxes and employee benefits	134,399	221,425	75,128	39,910	24,692	161,516	84,482	37,031	119,677	209,783	1,107,053	-	147,247	49,445	196,692	1,303,745
Outside services	-	21,461	196,284	-	-	38,669	880	45,778	-	3,432	306,504	-	-	6,545	6,545	313,049
Donated services	6,662	17,226	5,280	32,240	-	-	-	-	10,560	18,964	90,932	-	3,080	-	3,080	94,012
Program expenses	38,708	23,137	261,878	36,731	939	10,151	3,827	434	4,318	16,983	397,106	4,137	2,376	2,738	9,251	406,357
Food	239,903	-	-	-	-	-	-	-	-	-	239,903	-	-	-	-	239,903
Donated goods	1,059,383	229,646	200	-	-	21,755	2,700	-	4,471	10,190	1,328,345	-	2,966	-	2,966	1,331,311
Occupancy	129,511	67,774	19,841	4,557	5,339	42,361	48,174	13,728	3,692	112,697	447,674	10,467	21,565	9,841	41,873	489,547
Telephone	572	1,188	2,092	753	48	1,835	176	1,200	212	432	8,508	-	2,323	100	2,423	10,931
Office supplies	5,393	2,977	1,422	990	259	4,963	29,990	2,800	1,079	15,470	65,343	14	8,173	4,030	12,217	77,560
Technology	10,032	12,429	6,334	2,731	1,174	8,165	8,331	5,848	5,172	12,440	72,656	-	6,641	25,427	32,068	104,724
Printing	21	173	-	2,667	-	269	99	178	44	18	3,469	4,227	630	10,456	15,313	18,782
Insurance	5,430	5,810	4,389	1,289	640	4,236	2,379	605	2,805	5,686	33,269	2,497	487	1,210	4,194	37,463
Professional fees	2,021	2,187	2,058	593	235	2,127	1,098	13	1,031	2,132	13,495	-	2,516	568	3,084	16,579
Postage	1,407	1,502	1,215	419	177	1,099	611	122	722	1,465	8,739	-	388	2,610	2,998	11,737
Staff development	1,723	3,152	3,680	851	569	3,577	2,722	958	1,469	2,510	21,211	-	3,129	664	3,793	25,004
Travel	2,370	1,108	9,626	8,262	1,278	1,506	303	1,314	705	1,644	28,116	8	651	300	959	29,075
Jesuit and VISTA volunteers	13,358	-	-	6,260	-	-	-	-	-	-	19,618	-	-	-	-	19,618
Volunteer support	1,422	1,547	1,111	320	174	1,133	650	294	768	1,572	8,971	459	614	563	1,636	10,607
Training/advocacy stipend	-	-	-	-	10,260	10,664	-	-	-	-	20,924	-	-	-	-	20,924
Research and evaluation	69	75	1,554	15	8	3,406	31	15	36	74	5,283	-	452	15	467	5,750
Other	2,232	2,022	1,526	431	218	1,934	42,094	337	905	1,849	53,538	312	10,801	5,973	17,086	70,624
	2,109,577	1,384,657	822,117	260,635	122,743	859,141	509,098	228,802	557,482	1,141,628	7,995,980	22,121	590,651	268,359	881,131	8,877,111
Depreciation expense	66,012	31,276	19,306	4,002	2,681	43,690	24,585	11,761	1,392	16,373	221,078	-	27,455	8,699	36,154	257,232
Total expenses	\$ 2,175,589	1,415,933	841,523	264,637	125,424	902,831	533,683	240,563	558,874	1,158,001	8,217,058	22,121	618,106	277,058	917,285	9,134,343

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2012

	Program services										Supporting services			Total expenses	
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Shelter	Logan Place	Florence House	Total	38 Preble	Administrative	Fundraising & Community Relations		Total
Salaries	\$ 400,064	731,078	177,861	109,008	81,348	435,259	256,564	384,742	714,368	3,290,272	-	408,599	129,962	538,561	3,828,833
Payroll taxes and employee benefits	116,706	203,144	57,666	35,481	26,544	135,384	77,233	111,672	203,293	967,123	-	143,997	42,263	186,260	1,153,383
Outside services	7	13,040	124,426	-	-	41,840	4	4	4,873	184,194	-	5	4,502	4,507	188,701
Donated services	14,540	15,400	-	35,840	-	-	-	3,080	10,780	79,640	-	3,080	-	3,080	82,720
Program expenses	42,479	17,953	79,716	27,696	1,089	12,756	4,041	3,904	18,856	208,190	232	1,890	2,098	4,220	212,410
Food	178,857	-	-	-	-	-	-	-	-	178,857	-	-	-	-	178,857
Donated goods	873,180	214,668	-	-	-	8,957	-	2,095	8,837	1,107,737	-	1,585	-	1,585	1,109,322
Occupancy	101,547	73,737	5,399	1,863	1,438	51,857	46,707	492	82,866	365,906	8,086	18,364	4,866	31,316	397,222
Telephone	3,919	4,230	1,840	672	261	4,639	1,150	2,119	3,838	22,668	-	3,037	650	3,687	26,355
Office supplies	2,313	4,998	5,079	357	309	4,017	626	1,539	3,479	22,717	2,141	2,959	1,769	6,869	29,586
Technology	2,428	3,709	2,307	734	241	2,081	1,104	1,453	2,709	16,766	1,734	2,595	8,979	13,308	30,074
Printing	182	463	97	42	67	447	83	107	218	1,706	30	372	6,918	7,320	9,026
Insurance	4,353	5,313	2,329	992	634	3,579	1,977	2,556	5,217	26,950	2,576	4,278	1,038	7,892	34,842
Professional fees	2,098	2,561	1,122	478	305	1,725	953	1,232	2,590	13,064	-	2,115	501	2,616	15,680
Postage	1,167	1,447	624	266	170	976	530	685	1,399	7,264	-	1,442	1,558	3,000	10,264
Staff development	3,269	3,825	1,408	726	626	3,457	3,449	2,356	2,913	22,029	-	8,444	937	9,381	31,410
Travel	6,161	2,694	3,945	6,647	1,439	8,841	3,078	1,075	2,576	36,456	5	3,137	1,093	4,235	40,691
Jesuit and VISTA volunteers	5,996	-	-	8,500	-	-	-	-	-	14,496	-	-	-	-	14,496
Volunteer support	1,583	1,858	729	311	253	1,121	619	800	1,633	8,907	-	1,138	576	1,714	10,621
Training/advocacy stipend	3,875	-	-	4,400	12,990	10,089	-	-	-	31,354	-	-	-	-	31,354
Research and evaluation	-	-	1,500	1,267	-	2,853	-	-	5,073	10,693	-	107	-	107	10,800
Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	2,438	2,623	4,146	849	304	1,814	973	1,270	2,568	16,985	8,314	17,490	1,934	27,738	44,723
	1,766,862	1,302,741	470,194	236,129	128,018	731,672	399,091	521,181	1,078,086	6,633,974	23,118	624,874	209,644	857,636	7,491,610
Depreciation expense	62,952	43,879	4,573	1,780	1,015	53,252	6,339	1,759	16,816	192,345	-	21,186	6,143	27,329	219,674
Total expenses	\$ 1,829,814	1,346,620	474,767	237,909	129,033	784,904	405,430	522,940	1,094,902	6,826,319	23,118	646,060	215,787	884,965	7,711,284

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (459,772)	3,739,811
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	257,232	219,674
Change in unamortized discount	2,215	27,832
Realized and unrealized (gains) losses on investments	(103,857)	105,083
(Gains) losses on beneficial interest in perpetual trust	(8,945)	8,758
(Increase) decrease in assets:		
Accounts receivable	(18,119)	13,857
Pledges receivable	386,147	(607,396)
Grants receivable	(413,840)	66,309
Prepaid expenses	(1,923)	24,597
Inventory	(5,565)	(1,503)
Increase (decrease) in liabilities:		
Accounts payable	(73,368)	244,425
Accrued expenses	8,138	85,286
Deferred revenue	2,419	-
Net cash provided by (used in) operating activities	(429,238)	3,926,733
Cash flows from investing activities:		
Proceeds from sale of investments	1,760,001	447,167
Purchases of investments	(1,755,622)	(410,527)
Purchase of property and equipment	(1,651,936)	(1,414,542)
Net cash used in investing activities	(1,647,557)	(1,377,902)
Net change in cash	(2,076,795)	2,548,831
Cash, beginning of year	3,476,337	927,506
Cash, end of year	\$ 1,399,542	3,476,337

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

Provides drop-in services 365 days a year for adults and families, meeting basic needs, such as phone, mail, and showers to approximately 400 adults a day; as well as street outreach, casework support, and referrals to address problems such as housing, healthcare, employment, mental health and substance abuse 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 substance abuse, linking them to housing, treatment, and community resources. Caseworkers also support residential stability of formerly homeless tenants of local mixed-income housing developments, providing homelessness prevention and rapid re-housing services throughout greater Portland.

Teen Services

Operates 24/365 to meet the basic needs of approximately 400 homeless and runaway youth per year, ages 12-20, including:

Teen Center: drop-in services open 8am-8pm to provide meals, clothing, mail, etc. as well as street outreach, casework, and on-site collaborative services connecting youth to housing, healthcare, mental health and substance abuse treatment, educational/vocational services, and legal resources.

Joe Kreisler Teen Shelter: formerly known as the Lighthouse Shelter, 24-bed overnight emergency shelter open 8pm-8am.

Food Programs

Soup Kitchens: operate at the Resource Center, Teen Center, and Florence House, to serve nutritious meals 3 times a day, 365 days per year (approximately 1,000 meals a day) to children and elders, individuals and families living in poverty.

Food Pantry: distributes grocery boxes to nearly 400 low-income individuals every week and as needed.

Florence House

Provides comprehensive 24/365 supportive housing for 65 women, including 25 permanent efficiency apartments with support services, 15 semi-private safe haven units, and an emergency shelter with 25 beds providing basic needs, casework support, and referrals to address needs for housing, healthcare, employment, mental health and substance abuse treatment, and legal assistance.

Logan Place

Provides 24-hour support services at a 30-unit efficiency apartment building to assist tenants in developing skills to transition from chronic homelessness and maintain permanent housing.

PREBLE STREET
Notes to Financial Statements, Continued

DESCRIPTION OF PURPOSE, CONTINUED

Advocacy

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

Maine Hunger Initiative: works to strengthen Maine's emergency food system, help community emergency food providers introduce best practices for effectiveness and viability, and provide input into state and national policy to end hunger.

Veterans Housing Services

Working to prevent homelessness and ensure residential stability for veterans throughout southern Maine, VHS offers case management, housing search assistance, budget counseling, and financial assistance to eligible veterans and veteran's families.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statement presentation follows the provisions of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. 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.

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.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$2,500 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).

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 *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 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, 2010 through 2013.

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.

PREBLE STREET
Notes to Financial Statements, Continued

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2013 and 2012. As of June 30, 2013 and 2012, Preble Street's accounts at each such institution were insured by the Federal Deposit Insurance Corporation at levels set by applicable statute and regulation. During fiscal 2012, Preble Street entered into a repurchase sweep agreement whereby any amounts greater than the FDIC insured limit are swept into an overnight repurchase investment account. As a result, Preble Street had no uninsured cash balances at June 30, 2013 and 2012.

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2013</u>	<u>2012</u>
Opportunity Alliance - Mainestay	\$ -	15,093
Avesta Housing	102,098	-
Catholic Charities of Maine	205,339	-
Maine Department of Health and Human Services	-	221
Maine Department of Health and Human Services - Teen Center	-	28,478
City of Portland - Shelter/HPRP	39,058	27,000
City of Portland - HCD	17,990	36,684
City of Portland - General assistance	29,000	10,348
City of Portland - Logan Place	12,158	6,082
HUD Supportive Housing Grant	-	112,638
HUD Logan Place	-	35,950
Maine Care - Targeted Case Management	-	13,988
Maine State Housing Authority	40,937	40,996
Youth Alternatives/Ingraham	15,093	-
SARSSM	1,875	1,875
Cumberland County	6,541	6,541
Cultivating Community	-	5,250
Southern Maine Area Agency on Aging	10,570	6,423
U.S. Department of Health and Human Services	13,146	19,952
United Way	1,220	13,314
State of Maine	298,190	-
Veterans Affairs	169,249	167,791
Total grants receivable	\$ 962,464	548,624

PREBLE STREET
Notes to Financial Statements, Continued

PLEDGES RECEIVABLE

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 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, are summarized as follows at June 30:

	<u>2013</u>	<u>2012</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 224,384	423,851
One year to five years	355,900	538,150
Over five years	-	-
Less unamortized discount at 3%	(32,940)	(30,725)
Totals	\$ 547,344	931,276

CONDITIONAL PROMISES TO GIVE RECEIVABLE

In June, 2013 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2014. 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, 2013, 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 \$352,983. 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, 2014.

INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 1,100,253	954,925
Exchange-traded funds	300,975	298,578
Money market funds and cash equivalents	10,124	58,251
Equities	19,845	34,299
Totals	\$ 1,431,197	1,346,053

PREBLE STREET
Notes to Financial Statements, Continued

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, 2013 and 2012, the balances in this account were \$134,575 and \$125,630, respectively.

ENDOWMENT

As noted earlier, at June 30, 2013 and 2012, Preble Street was the sole beneficiary of a perpetual trust held and administered by a not-for-profit organization in the amount of \$134,575 and \$125,630, in 2013 and 2012, respectively. 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 \$1,411,352 and \$1,311,754 in its board-designated endowment at June 30, 2013 and 2012, 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. At its discretion, the Board may elect to change its policy with regard to these funds if it deems future circumstances warrant such a change.

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.

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

Endowment Spending Policy - The responsibility of setting the spending policy for the Board Designated endowment 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 endowment fund will be spent until the value of the pool equals or exceeds \$1,000,000 at the end of the fiscal year.
- 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 \$1,000,000 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 \$40,000 and \$116,500, in 2013 and 2012, respectively. Distributions in 2012 included \$60,000 for fiscal year 2012 and \$56,500 for fiscal year 2011.

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's endowment balances were comprised of the following as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 1,411,352	-	-	1,411,352
Donor-restricted endowment	-	-	134,575	134,575
Totals	\$ 1,411,352	-	134,575	1,545,927

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in Preble Street's endowment balances for the year ending June 30, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,311,754	-	125,630	1,437,384
Contributions	-	-	-	-
(Distributions)	(40,000)	-	(5,102)	(45,102)
Investment return:				
Investment income, net of fees	39,379	-	1,464	40,843
Net appreciation (depreciation)	100,219	-	12,583	112,802
Total investment return	139,598	-	14,047	153,645
Endowment net assets, end of year	\$ 1,411,352	-	134,575	1,545,927

Preble Street's endowment balances were comprised of the following as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 1,311,754	-	-	1,311,754
Donor-restricted endowment	-	-	125,630	125,630
Totals	\$ 1,311,754	-	125,630	1,437,384

The changes in Preble Street's endowment balances for the year ending June 30, 2012 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,497,120	-	137,987	1,635,107
Contributions	-	-	-	-
(Distributions)	(116,500)	-	(5,691)	(122,191)
Investment return:				
Investment income, net of fees	36,216	-	2,092	38,308
Net appreciation (depreciation)	(105,082)	-	(8,758)	(113,840)
Total investment return	-	-	-	-
Endowment net assets, end of year	\$ 1,311,754	-	125,630	1,437,384

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with the *Fair Value Measurements 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. 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, 2013.

- *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.
- *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, 2013 and 2012 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:

	Fair value measurements at 06/30/13 using:			
	Totals 06/30/13	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds:				
Artisan Midcap Value	\$ 43,788	43,788	-	-
Blackrock Equity Dividend	128,583	128,583	-	-
E V Advanced Floating Rate	81,465	81,465	-	-
First Eagle Overseas	75,775	75,775	-	-
Janus Venture	44,777	44,777	-	-
Loomis Sayles Bond Inst	79,435	79,435	-	-
MFS International Value	155,581	155,581	-	-
Oppenheimer Developing Mkts	41,131	41,131	-	-
Pimco Short Term	81,683	81,683	-	-
Pimco Unconstrained Bond	80,218	80,218	-	-
Templeton Global Bond Fund	78,552	78,552	-	-
Touchstone Sands Cap	129,387	129,387	-	-
Virtus Multi Section Short Term	79,878	79,878	-	-
Exchange-traded funds:				
IShares Russell 2000 Index FD	59,170	59,170	-	-
Powershares DB Comm Trk Inc	34,177	34,177	-	-
SPDR Trust Series 1	143,897	143,897	-	-
Vanguard REIT ETF	32,848	32,848	-	-
Wisdomtree Trust Emerging Mkt	30,883	30,883	-	-
Money market funds and cash equivalents				
	10,124	10,124	-	-
Equities				
Energy	12,934	12,934	-	-
Transportation	2,562	2,562	-	-
BioTech	4,349	4,349	-	-
Beneficial interest in perpetual trust	134,575	-	134,575	-
Totals	\$ 1,565,772	1,431,197	134,575	-

During 2013, the Organization changed investment managers which resulted in a rebalance of the portfolio holdings.

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

	<u>Fair value measurements at 06/30/12 using:</u>			
	<u>Totals</u> 06/30/12	<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:				
Algar Small Cap & Midcap	\$ 26,072	26,072	-	-
Blackrock High Yield Bond Port	52,137	52,137	-	-
Blackrock Inflation Protected	26,149	26,149	-	-
Columbia Marsico Growth FD	108,274	108,274	-	-
Eaton Vance Large Cap Value FD	65,711	65,711	-	-
Harbor International Fund	41,558	41,558	-	-
ING Global Real Estate Fund	26,917	26,917	-	-
Lazard Developing Mkts Equity FD	100,188	100,188	-	-
Loomis Bond Fund	130,762	130,762	-	-
Manning & Napier World Opportunity	41,438	41,438	-	-
Permanent Portfolio Fund	73,555	73,555	-	-
Pimco Emerging Local Bond	52,974	52,974	-	-
Prudential Short-Term Corp Bond FD	129,959	129,959	-	-
Royce Premier Fund	25,858	25,858	-	-
Templeton Global Bond Fund	53,373	53,373	-	-
Exchange-traded funds:				
Index total return	13,179	13,179	-	-
Vanguard MSCI EAFE ETF	36,179	36,179	-	-
Vanguard MSCI Emerging Mkt	43,604	43,604	-	-
Vanguard Growth	47,335	47,335	-	-
Vanguard Value ETF	27,914	27,914	-	-
Vanguard BD Index FD Inc	130,367	130,367	-	-
Money market funds				
and cash equivalents	58,251	58,251	-	-
Equities				
Energy	11,936	11,936	-	-
Transportation	1,858	1,858	-	-
BioTech	3,565	3,565	-	-
Financial services	16,940	16,940	-	-
Beneficial interest in perpetual trust	125,630	-	125,630	-
Totals	\$ 1,471,683	1,346,053	125,630	-

Transfers between level 2 and level 3 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 level 2 and level 3 assets or liabilities during the years ended June 30, 2013 and 2012.

PREBLE STREET
Notes to Financial Statements, Continued

LINE OF CREDIT

Preble Street had a line of credit arrangement with a financial institution with a maximum borrowing limit of \$50,000. Interest was payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 3.75% at both June 30, 2013 and 2012). This agreement required an annual clearance period of 30 days, during which the outstanding balance had to be brought to and maintained at \$0. In February, 2013 Preble Street closed this line of credit. There were no amounts outstanding at June 30, 2012.

In March 2012, Preble Street entered into a second 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 3.75% at June 30, 2013 and 2012). At June 30, 2013 and 2012, there were no amounts outstanding on this line of credit.

OBLIGATION UNDER OPERATING LEASE

During the year ended June 30, 2010, Preble Street entered into a non-cancelable operating lease for the safe haven and shelter portions of the building that houses Florence House. The agreement calls for monthly rental payments of \$5,926, which may be adjusted annually to reflect changes in the facility's operating expenses, and a term of 30 years. As of June 30, 2013 future minimum operating lease payments amounted to the following:

<u>For year ended</u>	<u>Total</u>
2014	\$ 71,112
2015	71,112
2016	71,112
2017	71,112
2018	71,112
<u>Thereafter</u>	<u>1,546,686</u>
<u>Total</u>	<u>\$ 1,902,246</u>

During the year ended June 30, 2010, Preble Street entered into a one year operating lease for the use of staff office space. The lease agreement calls for monthly payments of \$470 and after a one year term, provides for a month to month option. The one year term expired August 30, 2010 and has been extended on a month to month basis. As of June 30, 2013, rental payments continue to be made on this lease utilizing the monthly extension option.

Preble Street is a party to two operating leases by which it obtained the use of certain vehicles. These agreements call for minimum required monthly rental payments ranging from \$356 to \$555. As of June 30, 2013 future minimum operating lease payments under these agreements amounted to the following:

<u>For year ended</u>	<u>Total</u>
2014	\$ 9,864
<u>2015</u>	<u>3,330</u>
<u>Total</u>	<u>\$ 13,194</u>

PREBLE STREET
Notes to Financial Statements, Continued

OBLIGATION UNDER OPERATING LEASE, CONTINUED

During the years ended June 30, 2013 and 2012, total rent expense incurred by Preble Street related to these agreements amounted to \$98,542 and \$98,921, 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, 2013 and 2012 was \$16,204 and \$11,803, respectively.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

	<u>2013</u>	<u>2012</u>
Food Programs	\$ 250,121	305,025
Maine Hunger Initiative	80,000	186,924
Homeless Voices for Justice	-	5,000
38 Preble Street Building and Operating Fund	958,302	2,709,862
Resource Center	25,000	75,000
Home for Good/Capacity Building	-	100,000
<u>Totals</u>	<u>\$ 1,313,423</u>	<u>3,381,811</u>

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.

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

	<u>2013</u>	<u>2012</u>
Beneficial interest in perpetual trust with income restricted for self sufficiency efforts	<u>\$ 134,575</u>	<u>125,630</u>

As previously discussed, Preble Street has a board-designated endowment fund. At June 30, 2013 and 2012, these board-designated net assets amounted to \$1,411,352 and \$1,311,754, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

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>2013</u>	<u>2012</u>
Food	\$ 721,657	232,087
Kreisler Shelter	1,968,660	1,369,128
Maine Hunger Initiative	231,466	220,000
Teen Center	38,960	17,500
Resource Center	52,386	25,000
Lighthouse Shelter	-	7,500
Homeless Voice for Justice	8,185	-
Florence House	160,395	-
Veterans' Services	135	-
Logan Place	1,150	-
Capacity building expenditures	100,000	200,000
<u>Totals</u>	<u>\$ 3,282,994</u>	<u>2,071,215</u>

DONATED SERVICES AND GOODS

During the years ended June 30, 2013 and 2012, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$1,425,323 and \$1,192,042 for 2013 and 2012, 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, 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 \$550,253 in 2013 and \$493,420 in 2012.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

Approximately 58% 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.

PREBLE STREET
Notes to Financial Statements, Continued

RENTAL INCOME

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, 2013 and 2012 these stipends totaled \$36,240 and \$36,280, respectively.

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 October 31, 2013, which is the date these financial statements were available to be issued.