



**PREBLE STREET AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Preble Street and Subsidiary

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

We have audited the accompanying consolidated financial statements of Preble Street and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Preble Street and Subsidiary as of June 30, 2020 and 2019, and the changes in its consolidated net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

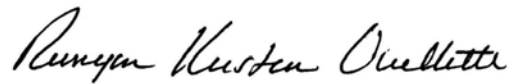
Board of Directors

April 19, 2021

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021, on our consideration of Preble Street and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Preble Street's 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.

A handwritten signature in black ink, reading "Raymond Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

April 19, 2021

South Portland, Maine

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**June 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,427,417	2,144,927
Accounts receivable	24,823	38,842
Pledges receivable, current portion	1,085,900	108,810
Grants receivable	1,357,252	591,535
Prepaid expenses	111,684	187,513
Inventory	1,826	1,117
<b>Total current assets</b>	<b>6,008,902</b>	<b>3,072,744</b>
Investments:		
Investments	3,863,690	3,690,066
Beneficial interest in perpetual trust	-	160,825
<b>Total investments</b>	<b>3,863,690</b>	<b>3,850,891</b>
Property and equipment:		
Land	1,029,498	422,930
Buildings and improvements	8,134,246	8,109,609
Equipment	785,825	785,219
Vehicles	25,500	25,500
Construction in progress	1,460,555	-
	11,435,624	9,343,258
Less accumulated depreciation	(4,084,597)	(3,825,468)
<b>Net property and equipment</b>	<b>7,351,027</b>	<b>5,517,790</b>
Other assets:		
Restricted cash and cash equivalents	4,399,962	-
Pledges receivable, non-current, net	1,396,561	-
Unemployment trust	48,304	44,491
Deferred compensation plan assets (457(b))	165,283	113,339
<b>Total other assets</b>	<b>6,010,110</b>	<b>157,830</b>
<b>Total assets</b>	<b>\$ 23,233,729</b>	<b>12,599,255</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 259,880	200,728
Accrued expenses	968,566	574,321
Deferred revenue	203,596	-
<b>Total current liabilities</b>	<b>1,432,042</b>	<b>775,049</b>
Non-current Liabilities:		
PPP loan payable	1,274,000	-
<b>Total non-current liabilities</b>	<b>1,274,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,706,042</b>	<b>775,049</b>
Net assets:		
Without donor restrictions:		
Undesignated	2,431,333	2,357,326
Board-designated investments	1,755,276	1,593,033
Investment in property and equipment	5,258,661	5,517,790
<b>Total without donor restrictions</b>	<b>9,445,270</b>	<b>9,468,149</b>
With donor restrictions	11,082,417	2,356,057
<b>Total net assets</b>	<b>20,527,687</b>	<b>11,824,206</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,233,729</b>	<b>12,599,255</b>

*See accompanying notes to financial statements.*

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2020 and 2019**

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue and support:</b>						
Government grant income	\$ 7,534,947	-	7,534,947	5,369,811	-	5,369,811
Fee for service income	133,753	-	133,753	261,951	-	261,951
Contributions	5,114,459	8,974,077	14,088,536	3,705,515	99,163	3,804,678
Donated services	187,187	-	187,187	262,170	-	262,170
Donated goods	2,013,025	-	2,013,025	2,010,420	-	2,010,420
United Way	433,824	-	433,824	397,803	-	397,803
Other income	14,280	-	14,280	13,628	-	13,628
Investment income, net	3,058	24,463	27,521	79,521	83,760	163,281
Change in fair value of perpetual trust	-	-	-	-	2,803	2,803
<b>Total revenue and support</b>	<b>15,434,533</b>	<b>8,998,540</b>	<b>24,433,073</b>	<b>12,100,819</b>	<b>185,726</b>	<b>12,286,545</b>
<b>Net assets released from restrictions:</b>						
Restrictions satisfied by time or expenditure	99,177	(99,177)	-	414,705	(414,705)	-
Restrictions released by donor	173,003	(173,003)	-	-	-	-
<b>Total net assets released from restrictions</b>	<b>272,180</b>	<b>(272,180)</b>	<b>-</b>	<b>414,705</b>	<b>(414,705)</b>	<b>-</b>
<b>Total revenue, support, and reclassifications</b>	<b>15,706,713</b>	<b>8,726,360</b>	<b>24,433,073</b>	<b>12,515,524</b>	<b>(228,979)</b>	<b>12,286,545</b>
<b>Program expenses:</b>						
Food programs	3,171,410	-	3,171,410	2,878,941	-	2,878,941
Resource center	1,190,257	-	1,190,257	1,563,697	-	1,563,697
Veterans services	2,376,471	-	2,376,471	1,905,576	-	1,905,576
Maine hunger initiative	114,778	-	114,778	167,954	-	167,954
Community advocacy	117,452	-	117,452	153,567	-	153,567
Teen center	732,684	-	732,684	580,042	-	580,042
Joe Kreisler teen shelter	658,864	-	658,864	609,827	-	609,827
Logan place	797,703	-	797,703	657,861	-	657,861
Florence house	1,628,298	-	1,628,298	1,426,151	-	1,426,151
First place	180,434	-	180,434	279,865	-	279,865
Anti-Trafficking	615,252	-	615,252	477,493	-	477,493
Huston commons	771,767	-	771,767	648,643	-	648,643
Health services	259,310	-	259,310	279,950	-	279,950
Street outreach collaborative	39,027	-	39,027	-	-	-
Quarantine shelter	60,114	-	60,114	-	-	-
Wellness shelter	767,032	-	767,032	-	-	-
<b>Total program expenses</b>	<b>13,480,853</b>	<b>-</b>	<b>13,480,853</b>	<b>11,629,567</b>	<b>-</b>	<b>11,629,567</b>
<b>Supporting services:</b>						
Administration	1,639,086	-	1,639,086	1,037,240	-	1,037,240
Fundraising	609,653	-	609,653	196,829	-	196,829
<b>Total supporting services</b>	<b>2,248,739</b>	<b>-</b>	<b>2,248,739</b>	<b>1,234,069</b>	<b>-</b>	<b>1,234,069</b>
<b>Total expenses</b>	<b>15,729,592</b>	<b>-</b>	<b>15,729,592</b>	<b>12,863,636</b>	<b>-</b>	<b>12,863,636</b>
<b>Change in net assets</b>	<b>(22,879)</b>	<b>8,726,360</b>	<b>8,703,481</b>	<b>(348,112)</b>	<b>(228,979)</b>	<b>(577,091)</b>
Net assets, beginning of year	9,468,149	2,356,057	11,824,206	9,816,261	2,585,036	12,401,297
<b>Net assets, end of year</b>	<b>\$ 9,445,270</b>	<b>11,082,417</b>	<b>20,527,687</b>	<b>9,468,149</b>	<b>2,356,057</b>	<b>11,824,206</b>

*See accompanying notes to financial statements.*

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2020**

Program services												
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Joe Kreisler Teen Shelter	Logan Place	Florence House	First Place	Anti-Trafficking	Huston Commons
Salaries	\$ 781,294	523,763	958,582	87,238	68,285	464,065	453,450	606,298	1,091,195	100,370	341,632	588,146
Payroll taxes and employee benefits	165,335	118,189	238,010	19,057	14,489	104,838	100,796	130,687	220,688	23,995	82,873	129,545
Donated goods	1,640,099	334,243	6,386	-	-	9,986	-	4,756	7,648	-	650	2,645
Donated services	2,031	18,660	6,076	13	10,190	18,678	57	9,679	22,424	9	79,464	6,985
Food	289,895	-	104	-	-	-	-	-	-	-	-	-
Insurance	4,626	5,428	8,250	589	521	3,434	2,671	4,213	6,645	410	2,150	4,189
Occupancy	120,257	93,941	82,321	1,418	1,436	29,513	41,716	5,469	212,338	3,998	8,756	6,532
Office supplies	838	2,298	4,084	14	48	1,934	207	348	3,668	135	1,704	153
Other	4,637	4,735	11,090	1,055	618	3,007	3,825	3,165	6,762	528	2,200	3,835
Outside services	324	14,542	24,081	45	41	3,221	196	332	513	30	1,166	332
Postage	876	1,295	2,384	107	95	626	490	778	1,268	77	481	793
Printing	24	4	179	-	113	10	10	4	24	4	147	110
Professional fees	8,681	10,430	14,426	1,101	1,024	8,002	6,529	8,574	13,358	997	6,192	8,270
Program expenses	81,907	8,460	822,356	72	1,458	868	245	4,356	7,180	42,860	38,462	4,391
Research and evaluation	-	-	-	-	900	-	-	-	-	-	-	-
Staff development	4,044	4,192	10,404	1,244	1,523	10,097	2,006	2,976	9,379	2,844	5,144	2,910
Subcontracts	-	-	72,411	-	-	32,000	-	-	-	-	15,071	-
Technology	11,857	13,083	49,996	1,348	2,593	10,258	6,762	11,779	16,741	2,357	14,851	9,891
Telephone	626	1,151	2,323	178	174	857	419	2,103	2,151	94	407	1,125
Training/advocacy stipend	-	-	-	-	12,600	10,167	-	-	-	-	-	-
Travel	1,976	404	49,605	348	263	531	239	1,711	2,309	917	12,336	1,443
Volunteer support	-	-	-	-	137	-	-	-	-	-	-	-
	3,119,327	1,154,818	2,363,068	113,827	116,508	712,092	619,618	797,228	1,624,291	179,625	613,686	771,295
Depreciation expense	52,083	35,439	13,403	951	944	20,592	39,246	475	4,007	809	1,566	472
<b>Total expenses</b>	<b>\$ 3,171,410</b>	<b>1,190,257</b>	<b>2,376,471</b>	<b>114,778</b>	<b>117,452</b>	<b>732,684</b>	<b>658,864</b>	<b>797,703</b>	<b>1,628,298</b>	<b>180,434</b>	<b>615,252</b>	<b>771,767</b>

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statement of Functional Expenses, Continued**  
**Year Ended June 30, 2020**

	Program services					Supporting services			Total expenses
	Health Services	Street Outreach Collaboration	Quarantine Shelter	Wellness Shelter	Total	Administration	Fundraising	Total	
Salaries	\$ 133,425	26,039	41,112	361,230	6,626,124	1,021,396	102,935	1,124,331	7,750,455
Payroll taxes and employee benefits	31,322	6,849	6,533	56,563	1,449,769	280,730	18,645	299,375	1,749,144
Donated goods	1,150	5,462	-	-	2,013,025	-	-	-	2,013,025
Donated services	4,363	600	-	-	179,229	7,924	34	7,958	187,187
Food	-	-	-	79,572	369,571	-	-	-	369,571
Insurance	872	-	-	-	43,998	4,313	1,586	5,899	49,897
Occupancy	40,419	-	1,201	50,834	700,149	77,899	6,448	84,347	784,496
Office supplies	121	-	926	668	17,146	3,719	266	3,985	21,131
Other	316	77	208	1,233	47,291	20,347	22,033	42,380	89,671
Outside services	64	-	-	109,434	154,321	20,919	384,824	405,743	560,064
Postage	164	-	11	-	9,445	7,491	4,319	11,810	21,255
Printing	4	-	-	-	633	23,140	24,776	47,916	48,549
Professional fees	1,572	-	-	-	89,156	50,110	1,951	52,061	141,217
Program expenses	6,445	-	1,333	4,748	1,025,141	5,022	2,750	7,772	1,032,913
Research and evaluation	-	-	-	-	900	-	-	-	900
Staff development	-	-	286	1,787	58,836	9,731	3,184	12,915	71,751
Subcontracts	-	-	-	94,868	214,350	5,525	975	6,500	220,850
Technology	2,345	-	8,504	5,828	168,193	50,280	28,682	78,962	247,155
Telephone	105	-	-	100	11,813	1,715	250	1,965	13,778
Training/advocacy stipend	-	-	-	-	22,767	-	-	-	22,767
Travel	295	-	-	167	72,544	554	29	583	73,127
Volunteer support	-	-	-	-	137	1,278	143	1,421	1,558
	222,982	39,027	60,114	767,032	13,274,538	1,592,093	603,830	2,195,923	15,470,461
Depreciation expense	36,328	-	-	-	206,315	46,993	5,823	52,816	259,131
<b>Total expenses</b>	<b>\$ 259,310</b>	<b>39,027</b>	<b>60,114</b>	<b>767,032</b>	<b>13,480,853</b>	<b>1,639,086</b>	<b>609,653</b>	<b>2,248,739</b>	<b>15,729,592</b>

*See accompanying notes to financial statements.*



**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2019**

Program services											
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Joe Kreidler Teen Shelter	Logan Place	Florence House	First Place	Anti-Trafficking
Salaries	\$ 600,544	782,769	877,711	114,500	92,845	334,519	404,788	495,272	912,635	151,581	222,271
Payroll taxes and employee benefits	136,809	184,613	218,205	28,307	22,893	80,052	97,024	117,423	211,913	38,056	57,042
Donated goods	1,609,288	358,306	3,040	-	-	19,158	-	6,383	6,544	-	700
Donated services	11,737	30,174	12,103	9,618	12,518	11,717	1,162	6,826	28,214	7,938	115,890
Food	239,898	-	-	-	-	-	-	35	-	-	-
Insurance	5,812	5,613	8,390	599	480	2,142	2,821	3,004	6,308	1,195	1,072
Non-capital start-up costs	-	-	-	-	-	-	-	-	-	-	132
Occupancy	108,171	95,811	61,502	1,061	1,423	31,208	41,573	1,258	152,669	3,627	5,837
Office supplies	890	2,722	3,968	92	87	1,008	224	754	2,420	1,414	650
Other	4,407	5,405	11,076	757	960	2,317	4,203	2,999	6,690	2,165	1,734
Outside services	1,315	21,749	1,961	137	123	4,743	631	660	3,439	144	292
Postage	953	1,774	1,913	98	83	343	461	493	1,007	239	167
Printing	27	654	280	3	21	41	16	39	101	27	252
Professional fees	3,753	3,609	5,391	414	312	1,334	1,783	1,961	4,437	1,301	436
Program expenses	63,998	10,368	478,281	120	727	2,950	907	4,203	15,694	43,469	40,149
Research and evaluation	-	-	-	1,450	-	-	-	-	-	-	-
Staff development	6,110	7,473	36,693	1,729	2,981	11,015	4,016	4,872	17,123	7,403	7,822
Subcontracts	-	-	81,740	-	-	32,000	-	-	-	14,523	9,298
Technology	13,659	15,281	26,065	2,273	1,896	6,974	7,540	7,924	48,003	3,272	4,126
Telephone	696	1,393	1,836	244	174	836	348	1,938	2,135	189	487
Training/advocacy stipend	-	-	-	-	14,280	9,975	-	-	-	-	-
Travel	7,206	801	61,062	982	778	198	301	1,256	2,360	1,307	8,592
Volunteer support	11,476	11	16	4,568	1	4	5	5	10	4	3
	2,826,749	1,528,526	1,891,233	166,952	152,582	552,534	567,803	657,305	1,421,702	277,854	476,952
Depreciation expense	52,192	35,171	14,343	1,002	985	27,508	42,024	556	4,449	2,011	541
<b>Total expenses</b>	<b>\$ 2,878,941</b>	<b>1,563,697</b>	<b>1,905,576</b>	<b>167,954</b>	<b>153,567</b>	<b>580,042</b>	<b>609,827</b>	<b>657,861</b>	<b>1,426,151</b>	<b>279,865</b>	<b>477,493</b>

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statement of Functional Expenses, Continued**  
**Year Ended June 30, 2019**

	Program services			Supporting services			Total expenses
	Huston Commons	Health Services	Total	Administration	Fundraising	Total	
Salaries	\$ 488,439	133,280	5,611,154	556,789	101,411	658,200	6,269,354
Payroll taxes and employee benefits	113,600	32,513	1,338,450	188,396	25,553	213,949	1,552,399
Donated goods	2,663	200	2,006,282	4,138	-	4,138	2,010,420
Donated services	12,356	509	260,762	572	835	1,407	262,169
Food	-	-	239,933	-	-	-	239,933
Insurance	2,895	1,432	41,763	1,853	2,177	4,030	45,793
Non-capital start-up costs	-	-	132	-	-	-	132
Occupancy	1,242	44,336	549,718	44,091	4,923	49,014	598,732
Office supplies	460	90	14,779	4,290	129	4,419	19,198
Other	3,561	969	47,243	11,833	13,620	25,453	72,696
Outside services	656	276	36,126	63,226	482	63,708	99,834
Postage	467	233	8,231	7,759	4,294	12,053	20,284
Printing	58	63	1,582	11,457	13,448	24,905	26,487
Professional fees	1,892	937	27,560	25,798	1,394	27,192	54,752
Program expenses	3,795	19,510	684,171	4,083	993	5,076	689,247
Research and evaluation	-	-	1,450	2,025	-	2,025	3,475
Staff development	3,964	4,082	115,283	8,820	2,310	11,130	126,413
Subcontracts	-	-	137,561	-	-	-	137,561
Technology	8,818	3,373	149,204	50,564	18,477	69,041	218,245
Telephone	1,262	139	11,677	1,880	279	2,159	13,836
Training/advocacy stipend	-	-	24,255	-	-	-	24,255
Travel	1,963	1,410	88,216	1,739	80	1,819	90,035
Volunteer support	5	3	16,111	669	4	673	16,784
	648,096	243,355	11,411,643	989,982	190,409	1,180,391	12,592,034
Depreciation expense	547	36,595	217,924	47,258	6,420	53,678	271,602
<b>Total expenses</b>	<b>\$ 648,643</b>	<b>279,950</b>	<b>11,629,567</b>	<b>1,037,240</b>	<b>196,829</b>	<b>1,234,069</b>	<b>12,863,636</b>

*See accompanying notes to financial statements.*

**PREBLE STREET AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 8,703,481	(577,091)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	259,131	271,602
Change in unamortized discount	213,123	-
Realized and unrealized loss on investments	88,955	16,486
Change in value of beneficial interest in perpetual trust	-	(2,803)
Contributions received for long-term purposes	(8,974,077)	-
(Increase) decrease in assets:		
Accounts receivable	14,019	3,890
Pledges receivable	(2,586,774)	51,571
Grants receivable	(765,717)	136,486
Prepaid expenses	75,829	(53,803)
Inventory	(709)	2,277
Unemployment trust	(3,813)	(3,018)
Deferred compensation plan assets	(51,944)	-
Increase (decrease) in liabilities:		
Accounts payable	59,152	28,598
Accrued expenses	394,245	(22,579)
Deferred revenue	203,596	-
Net cash and cash equivalents provided used in activities	(2,371,503)	(148,384)
Cash flows from investing activities:		
Proceeds from sale of investments	1,202,543	1,346,961
Purchases of investments	(1,304,297)	(1,289,348)
Purchase of property and equipment	(2,092,368)	(88,872)
Net cash and cash equivalents used in investing activities	(2,194,122)	(31,259)
Cash flows from financing activities:		
Proceeds from PPP loan payable	1,274,000	-
Payments on capital lease	-	(1,084)
Contributions received for long-term purposes	8,974,077	-
Net cash and cash equivalents provided by (used in) financing activities	10,248,077	(1,084)
Net change in cash and cash equivalents	5,682,452	(180,727)
Cash and cash equivalents, beginning of year	2,144,927	2,325,654
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,827,379</b>	<b>2,144,927</b>
<b>Supplemental disclosures:</b>		
Cash and cash equivalents	3,427,417	2,144,927
Restricted cash and cash equivalents	4,399,962	-
<b>Total cash and cash equivalents</b>	<b>7,827,379</b>	<b>2,144,927</b>
Cash paid during the year for interest	\$ 5,549	-

*See accompanying notes to financial statements.*

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements**  
**June 30, 2020 and 2019**

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**DESCRIPTION OF PURPOSE**

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Preble Street and Subsidiary (the Organization) 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.

The consolidated financial statements include the accounts of 55 Portland Preble Street, LLC (the LLC), which holds land and a building that the Organization uses to perform their services. Preble Street is the sole member and owns a 100% interest in the LLC.

**Resource Center**

A drop-in center open 365 days a year to meet the basic needs of approximately 400 people a day who are experiencing homelessness and poverty. Social work staff also provide 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 the crises in their lives.

**Food Programs**

The largest direct service emergency food program in northern New England, distributing 600,000 meals a year to individuals, families, youth, and seniors who are living in poverty, through:

Soup Kitchens: Operates 365 days a year at the Resource Center, Teen Center, and Florence House, to serve nutritious meals 3 times a day.

Food Pantry: Provides emergency grocery boxes to 150-190 households each week.

**Teen Services**

Offering safety and services 24/365 for 40-60 homeless and runaway youth each day, social work staff meet the emergency and long-term needs of young people ages 12-20, through a comprehensive program model, including:

Teen Center: 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 across the street from the Teen Center, to provide safety and support services 8pm-8am.

First Place: Supported transition-in-place housing for homeless young people, ages 18-23, providing affordable apartments and supervision and support services to assist homeless youth in establishing stable independent living.

**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.

**Florence House**

Comprehensive shelter, permanent living, and 24/365 social work services for homeless women, including:

Permanent Apartments: 25 efficiency apartments with support services to assist tenants in developing skills to maintain stable independent housing, re-integrating into the community, and reconnecting with families.

Safe Haven: 15 semi-private units with support services for the most vulnerable women.

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

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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DESCRIPTION OF PURPOSE, CONTINUED

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**Huston Commons**

Provides 24-hour permanent housing and support services for former chronically homeless adults with multiple disabilities and challenges who are developing skills to maintain independent housing in a 30-unit apartment building.

**Veterans Housing Services (VHS)**

Operating from offices in Portland, Lewiston, and Bangor, VHS provides rapid re-housing and homelessness prevention to ensure residential stability for veterans' households throughout Maine that are homeless or at risk. 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.

**Anti-Trafficking Coalition**

Comprehensive and collaborative service coordination and support for victims of all human trafficking and exploitation—including sex trafficking 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.

**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, and providing follow up and connection to mainstream resources and assistance as they develop the skills to transition from homelessness to residential stability in public and private housing.

**Maine Medical Center-Preble Street Learning Collaborative**

Bringing the healthcare expertise of Maine Medical Center together with the social work skills of Preble Street and Subsidiary to provide an integrated, inter professional team that identifies and fills gaps in the health services available to disadvantaged and underserved populations in one of Maine's most diverse census tracts, as well as among the poorest and most vulnerable.

**Advocacy**

Advancing social and economic justice through outreach, education, and engagement in public policy discussions to improve the well-being of people experiencing poverty throughout Maine, including:

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.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Principles of Consolidation** - Accounting principles generally accepted in the United States of America provide guidance for the reporting and disclosure of financially interrelated organizations. The consolidated financial statements include the accounts of 55 Portland Preble Street, LLC (the LLC), which holds land and a building that the Organization uses to perform their services. Preble Street is the sole member and owns a 100% interest in the LLC. Based upon this relationship between Preble Street and the LLC, consolidated financial statements are presented. The two organizations together are collectively referred to as the Organization in these consolidated financial statements.

**Change in Accounting Principle** - During the year, Preble Street and Subsidiary adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Preble Street and Subsidiary has implemented ASU 2018-08 and has adjusted the presentation of these consolidated financial statements accordingly.

**Basis of Presentation** - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents, and its application for tax-exempt status. The governing board has designated a portion of net assets without donor restrictions as net assets for long-term investment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as where the donor stipulates that resources be maintained in perpetuity. The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limits their use. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

**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 net assets without donor restrictions on the statements of financial position.

**Cash and cash equivalents** - For the purposes of the statements of cash flows, Preble Street and Subsidiary considers all checking, savings, and repurchase accounts to be cash and cash equivalents. Restricted cash and cash equivalents represents cash received with donor-imposed restrictions that limits the use of that cash to the acquisition of property and equipment.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**Accounts and Grants Receivable** - Preble Street and Subsidiary receives various governmental grants and contracts to provide services statewide with a concentration in southern Maine. All amounts receivable are considered fully collectible; therefore, an allowance for doubtful accounts is not considered necessary.

**Inventory** - Inventory consists of 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 and Subsidiary 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.

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by Preble Street and recognize a tax liability if Preble Street has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service or state taxing authorities. Preble Street is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**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.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**New Accounting Pronouncements** - In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. Under ASU 2016-02, at the commencement of a long-term lease (greater than 12 months), the lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. The ASU will be effective for the Organization on July 1, 2020, though early adoption permitted. Application of this standard must be applied using a modified retrospective transition approach for leases existing at the earliest comparative period presented in the financial statements. Recently, the FASB issued ASU No. 2020-05, which delays the implementation date of ASU 2016-02. The revised effective date for nonprofit organizations is now fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this ASU on the financial statements.

**CONCENTRATION OF CREDIT RISK**

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2020 and 2019. As of June 30, 2020 and 2019, Preble Street and Subsidiary's accounts at each such institution were insured by the Federal Deposit Insurance Corporation (FDIC) at levels set by applicable statute and regulation. In 2018, Preble Street and Subsidiary entered into an investment sweep account, whereby certain amounts are swept into an overnight repurchase investment account, and invested in low risk Federated Money Market Funds that are not FDIC insured. Balances of such Federated Money Market Funds amounted to \$1,037,034 and \$629,132 at June 30, 2020 and 2019, respectively, and are included as uninsured cash at June 30, 2020 and 2019, which amounted to \$6,839,847 and \$1,238,957, respectively.

**GRANTS RECEIVABLE**

Following is a summary of grants receivable at June 30:

	<u>2020</u>	<u>2019</u>
City of Portland	\$ 59,204	51,140
Maine State Housing Authority	291,216	35,045
Cumberland County	-	332
U.S. Department of Justice	122,388	80,394
Southern Maine Area Agency on Aging	4,007	7,263
U.S. Department Housing and Urban Development	206,260	85,833
U.S. Department of Health and Human Services	47,468	3,626
New England Coalition	1,350	10,600
State of Maine Department of Health and Human Services	205,051	270,608
U.S. Department of Veterans Affairs	417,080	23,738
Freedom Network USA	-	689
Greater Portland Health	3,228	21,007
Other	-	1,260
<b>Total grants receivable</b>	<b>\$ 1,357,252</b>	<b>591,535</b>



**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**PLEDGES RECEIVABLE**

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Total pledges receivable for all campaigns, net of unamortized discount, are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 1,085,900	108,810
One year to five years	1,481,601	-
Over five years	-	-
	2,567,501	108,810
<u>Less unamortized discount</u>	<u>(85,040)</u>	<u>-</u>
	2,482,461	108,810
<u>Less current portion</u>	<u>(1,085,900)</u>	<u>(108,810)</u>
 <b><u>Non-current portion</u></b>	 <b><u>\$ 1,396,561</u></b>	 <b><u>-</u></b>

Pledges receivable at June 30, 2020 and 2019 are considered to be fully collectible, as such no allowance is deemed necessary. Pledges receivable at June 30, 2019 are all due within one year, and therefore no discount has been applied to amounts due. Pledges receivables at June 30, 2020 are discounted using a 3% rate.

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**CONDITIONAL PROMISES TO GIVE**

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In June, 2020 the United Way of Greater Portland committed to provide funding to Preble Street and Subsidiary for the fiscal year ending June 30, 2021. As this commitment carries certain conditions, the value of this commitment has not been recorded as a receivable nor as support as of June 30, 2020, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$324,719. Should the corresponding conditions be fulfilled, this amount is due to be paid to Preble Street and Subsidiary in full during the fiscal year ending June 30, 2021.

In May, 2017 Preble Street and Subsidiary was awarded a three year grant from a private foundation in the amount of \$300,000. This grant carried certain conditions prior to the release of additional funds, the likelihood of non-fulfillment of which had been estimated by Preble Street and Subsidiary to be more than remote. As such, the grant was not recognized as revenue until the conditions had been satisfied as identified by receipt of payment of each installment. The first installment of \$100,000 was received with the grant award in fiscal 2017. The second \$100,000 installment was received in May 2018. The final installment of \$100,000, was received in May 2019.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**INVESTMENTS**

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

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 2,254,779	2,137,262
Certificates of deposit	155,808	551,265
Exchange-traded funds	1,010,524	961,089
Money market funds and cash equivalents	442,579	40,450
<b><u>Totals</u></b>	<b><u>\$ 3,863,690</u></b>	<b><u>3,690,066</u></b>

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**BENEFICIAL INTEREST IN PERPETUAL TRUST**

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Preble Street and Subsidiary received a donation in 1997 from two donors who wished to establish an endowment fund for Preble Street and Subsidiary 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 Fund). Previous to 2020, the United Way of Greater Portland Foundation managed and oversaw the investment of the assets of the fund. The Preble Street and Subsidiary Board of Directors had sole discretion as to the use of the distributable income each year, which is equal to 4.5% of the average portfolio value of the fund over the prior three years. If the fund's value exceeded \$100,000, the Preble Street and Subsidiary Board of Directors were permitted to elect to expend more than the income generated in a specific year, provided the balance of the fund did not fall below the \$100,000 level as a result of the withdrawals. As of June 30, 2019 the balance in this account was \$160,825.

During fiscal 2020, upon permission from the original donors, the United Way of Greater Portland Foundation transferred the assets of the Fund to Preble Street and Subsidiary. The donors also released the restrictions placed on the original gifts and allowed Preble Street and Subsidiary to manage the assets as part of their Board-designated endowment fund. At the time of the transfer the Fund's value was \$173,003. The assets are now managed in accordance with the policies of the Preble Street and Subsidiary's Board-designated endowment fund, and the release of the restrictions have been reflected as restrictions released by donor in the accompanying statements of activities.

**ENDOWMENT**

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At June 30, 2020 and 2019, Preble Street and Subsidiary had Board-designated endowment funds totaling \$1,755,276 and \$1,593,033, respectively, and donor-restricted endowment funds totaling \$1,949,357 and \$1,936,297, respectively. The purpose of these funds is to generate income to be used to provide annual support to the ongoing operations of Preble Street and Subsidiary. Preble Street and Subsidiary has adopted the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions Preble Street and Subsidiary is required to classify and report net assets associated with endowment funds, including those designated by the Board of Directors to function as endowments, based on the existence or absence of donor-imposed restrictions. Preble Street and Subsidiary is also required to provide the following disclosures relating to its endowment activities.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**ENDOWMENT, CONTINUED**

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**Interpretation of Relevant Law** - Investments for all net asset classes are stated at fair value. In accordance with the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Organization has interpreted state law to require investment return on endowment funds with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Directors. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all net investment return, net investment return on endowment funds with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) possible effects of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) the Organization's investment policies.

**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 and Subsidiary 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 and Subsidiary can elect to spend less should it choose to do so. In fiscal years 2020 and 2019, Preble Street and Subsidiary utilized 0% and 2.81% from its endowment funds, respectively.

Distributions from the Board-designated endowment were \$0 and \$150,391, for the years ended June 30, 2020 and 2019, respectively. There were no distributions made from the donor-restricted endowment fund for either of the years ended June 30, 2020 or 2019, respectively.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

**ENDOWMENT, CONTINUED**

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. During the years ended June 30, 2020 and 2019, the Organization did not have any underwater endowment funds.

**Endowment Investment Policy** - The primary objective of Preble Street and Subsidiary'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 and Subsidiary. 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 and Subsidiary's endowment balances were comprised of the following at June 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 1,755,277	-	1,755,277
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	1,400,000	1,400,000
Accumulated investment gains	-	385,728	385,728
<b>Totals</b>	<b>\$ 1,755,277</b>	<b>1,785,728</b>	<b>3,541,005</b>

Changes in Preble Street and Subsidiary's endowment balances for the year ended June 30, 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets beginning of year	\$ 1,593,033	1,936,297	3,529,330
Investment return (loss), net	(10,759)	22,434	11,675
Transfers in/(out)	173,003	(173,003)	-
<b>Endowment net assets end of year</b>	<b>\$ 1,755,277</b>	<b>1,785,728</b>	<b>3,541,005</b>

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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ENDOWMENT, CONTINUED

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Preble Street and Subsidiary's endowment balances were comprised of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 1,593,033	-	1,593,033
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	1,560,825	1,560,825
Accumulated investment gains	-	375,472	375,472
<b>Totals</b>	<b>\$ 1,593,033</b>	<b>1,936,297</b>	<b>3,529,330</b>

Changes in Preble Street and Subsidiary's endowment balances for the year ended June 30, 2019 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets beginning of year	\$ 1,603,303	1,864,618	3,467,921
Investment return, net	62,699	71,679	134,378
Amounts appropriated for expenditure	(150,391)	-	(150,391)
Transfers in	77,422	-	77,422
<b>Endowment net assets end of year</b>	<b>\$ 1,593,033</b>	<b>1,936,297</b>	<b>3,529,330</b>

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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 and Subsidiary 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 level 2 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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

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description of the valuation methodologies used for level 2 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *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 and Subsidiary 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.

The table below segregates all financial assets and liabilities as of June 30, 2020 and 2019 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 June 30, 2020 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 442,579	442,579	-
Deferred compensation assets			
Mutual funds	165,283	165,283	-
Certificates of deposit	155,808	155,808	-
Mutual funds	2,254,779	2,254,779	-
Exchange-traded funds	1,010,524	1,010,524	-
<b>Totals</b>	<b>\$ 4,028,973</b>	<b>4,028,973</b>	<b>-</b>

Fair value measurements at June 30, 2019 using:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 40,450	40,450	-
Deferred compensation assets			
Mutual funds	113,339	113,339	-
Certificates of deposit	551,265	551,265	-
Mutual funds	2,137,262	2,137,262	-
Exchange-traded funds	961,089	961,089	-
Beneficial interest in perpetual trust	160,825	-	160,825
<b>Totals</b>	<b>\$ 3,964,230</b>	<b>3,803,405</b>	<b>160,825</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, 2020 and 2019.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**LINES OF CREDIT**

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Preble Street and Subsidiary 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 3.75% and 6.00% at June 30, 2020 and 2019, respectively). At June 30, 2020 and 2019, there were no amounts outstanding on this line of credit.

During 2020, Preble Street and Subsidiary obtained a revolving line of credit agreement with a financial institution for a maximum borrowing amount of \$1,000,000. The line was obtained for the purchase and renovation of 55 Portland Street and is set to mature on December 1, 2020. At June 30, 2020, there were no amounts outstanding of this line of credit.

**OBLIGATION UNDER OPERATING LEASE**

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Preble Street and Subsidiary 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. Terms for these leases range from 1 – 30 years. Future minimum operating lease payments amounted to the following at June 30:

<u>For year ended</u>	<u>Total</u>
2021	\$ 125,123
2022	113,513
2023	100,904
2024	100,848
2025	100,848
Thereafter	1,487,508
<b><u>Total</u></b>	<b><u>\$ 2,028,744</u></b>

During the years ended June 30, 2020 and 2019, total rent expense incurred by Preble Street and Subsidiary related to these agreements amounted to \$148,663 and \$107,542, respectively.

**PAYCHECK PROTECTION PROGRAM**

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On April 21, 2020, as a result of the negative financial impact of COVID-19, Preble Street and Subsidiary applied for and was granted a Loan from KeyBank in the aggregate amount of \$1,274,000, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the Coronavirus Aid, Relief and Economy Security Act (CARES Act), which was enacted in March, 2020. The Loan matures on April 21, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 21, 2020. The note may be prepaid by Preble Street and Subsidiary at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. Preble Street and Subsidiary intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. While Preble Street and Subsidiary currently believes that its use of the Loan proceeds will meet the conditions for forgiveness of the Loan, it is uncertain whether events will take place that could cause Preble Street and Subsidiary to be ineligible for forgiveness of the Loan, in whole or in part.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**PAYCHECK PROTECTION PROGRAM, CONTINUED**

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Subsequent to the issuance of the Loan, the SBA has issued further guidance to Loan recipients, providing for Loan deferrals of up to ten months after the covered period. As such, the full amount of the Loan is presented as non-current on the statements of financial position.

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**CONTINGENCIES**

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Preble Street and Subsidiary participates in various intergovernmental grant programs that may be subject to future program compliance audits by the grantors or their representatives. Accordingly, Preble Street and Subsidiary'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.

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**PENSION PLAN**

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Preble Street and Subsidiary 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, 2020 and 2019 amounted to \$36,257 and \$34,709, respectively.

During fiscal year 2015, Preble Street and Subsidiary 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 \$645 and \$2,500 for the years ended June 30, 2020 and 2019, respectively. Total plan assets and the corresponding retirement plan liability of \$165,283 and \$113,339 as of June 30, 2020 and 2019, respectively, are presented as an asset and an accrued expense in the statements of financial position.

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**DONATED SERVICES AND GOODS**

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During the years ended June 30, 2020 and 2019, certain goods and professional services were donated to Preble Street and Subsidiary. The estimated fair values of these goods and professional services totaling \$2,200,212 and \$2,272,590 for 2020 and 2019, 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 and Subsidiary utilizes in excess of 5,500 nonprofessional volunteers that have donated significant amounts of their time in support of Preble Street and Subsidiary's programs. The estimated fair value of the nonprofessional donated services was \$363,358 in 2020 and \$500,176 in 2019.



**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**OTHER ECONOMIC CONCENTRATIONS AND RISKS**

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At June 30, 2020 and 2019 approximately 35% and 56%, respectively, of Preble Street and Subsidiary'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 and Subsidiary's ability to fulfill its mission.

As detailed previously, Preble Street and Subsidiary 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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**RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES**

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Net assets with donor restrictions consisted of the following at June 30:

To be held in perpetuity:

	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trust with income restricted for self-sufficiency efforts	\$ -	160,825
Endowment funds held in perpetuity with income restricted for programs	1,400,000	1,400,000
<b>Totals</b>	<b>\$ 1,400,000</b>	<b>1,560,825</b>

Subject to Preble Street and Subsidiary's spending policy and appropriation:

Endowment funds with income restricted to programs	\$ 385,729	375,472
<b>Totals</b>	<b>\$ 385,729</b>	<b>375,472</b>

Subject to appropriation and expenditure when a specified event or time occurs:

Maine Hunger Initiative	\$ 65,000	-
38 Preble Street and Subsidiary Building and Operating Fund	322,612	320,596
Community advocacy	21,742	53,093
Health services	21,742	-
Kreisler Shelter	-	31,061
Teen Center	-	4,726
Capital campaign	6,769,728	-
Invested in PP&E	2,092,366	-
Other	3,498	10,284
<b>Totals</b>	<b>\$ 9,296,688</b>	<b>419,760</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 11,082,417</b>	<b>2,356,057</b>

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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

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

Board-designated net assets consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Board-designated quasi endowment	\$ 1,755,277	1,593,033
<b>Totals</b>	<b>\$ 1,755,277</b>	<b>1,593,033</b>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors were as follows:

Purpose restrictions accomplished:

	<u>2020</u>	<u>2019</u>
38 Preble Street Building and Operating fund	\$ 14	190,639
Health services	-	8,700
First Place Program	-	27,449
Food programs	-	72,917
Community advocacy	53,093	15,000
Maine Hunger Initiative	-	60,000
Resource Center	-	40,000
Teen Center	4,726	-
Joe Kreisler shelter	31,061	-
Other	10,283	-
<b>Totals</b>	<b>\$ 99,177</b>	<b>414,705</b>

As described in the "Beneficial Interest in Perpetual Trust" footnote, restrictions related to the beneficial interest in perpetual trust were released by the donors during fiscal 2020, and are reflected as restrictions released by donor in the accompanying statements of activities in the amount of \$173,003.

**RENTAL INCOME**

Preble Street and Subsidiary owns and operates two buildings in Portland, Maine that house Preble Street and Subsidiary'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, 2020 and 2019, these stipends totaled \$12,240 in each year.

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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**LIQUIDITY AND AVAILABILITY OF RESOURCES**

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Preble Street and Subsidiary has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditure:

Cash and cash equivalents	\$ 3,427,417
Accounts receivable	24,823
Grants receivable	1,357,252
<b>Total</b>	<b>\$ 4,809,492</b>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The grants receivable are subject to implied time restrictions but are expected to be collected within one year.

Preble Street and Subsidiary's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowment. As described in the "Endowment" footnote, Preble Street and Subsidiary's Board of Directors has adopted an endowment spending policy under which, an amount equal to 2.81% of the market value of the fund, based on a rolling three-year average of the fund's calendar year-end market value, shall be available to the Organization each year.

Preble Street and Subsidiary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in the "Lines of Credit" note, Preble Street and Subsidiary has two committed lines of credit in the amounts of \$350,000 and \$1,000,000, respectively, which it could draw upon in the event of an unanticipated liquidity need. Additionally, although Preble Street and Subsidiary does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its quasi-endowment funds could be made available if necessary.

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**METHOD USED FOR ALLOCATION OF EXPENSES**

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The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include salaries, payroll taxes and employee benefits. Each of these expenses are allocated monthly based on FTEs at month-end, and a percentage of time spent across functional categories. Professional fees, office supplies, telephone, postage, staff development, occupancy, printing, travel, and other, are allocated based on direct expenses plus a monthly allocation of overhead costs based on FTEs at month-end.

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**LIMITED LIABILITY COMPANY**

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On November 11, 2019, Preble Street formed and became the sole member of a limited liability company named "55 Portland Preble Street, LLC" (the Company). Preble Street owns a 100% interest in the Company, and also serves as the manager of the Company. The Company was formed for the purpose of owning and managing real estate and any other business as permitted by Maine law and approved by the sole member (Preble Street).

**PREBLE STREET AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**June 30, 2020 and 2019**

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LIMITED LIABILITY COMPANY, CONTINUED

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On December 6, 2019 the Company closed on the purchase of a parcel of land and building located at 55 Portland Street, Portland, Maine, for a purchase price of \$1,854,700. The purchase was funded by borrowing \$580,000 from an available \$1,000,000 revolver loan from Key Bank, the remainder of the purchase price, including commissions and fees was paid for with cash received through a capital campaign that launched in October, 2019. Preble Street and Subsidiary intends to use the new building for programming purposes that are yet to be determined.

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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 April 19, 2021, which is the date these financial statements were available to be issued.

On July 1, 2020 the Organization entered into a Collective Bargaining Agreement (CBO) between Preble Street and Maine Services Employees Association – SEIU, Local 1989, for the period of two years. The CBO covers all full-time, part-time, and regular per diem employees in the following classifications: As needed staff, caseworker, communications assistant, custodial technician, development resource assistant, maintenance technician, housing support staff, kitchen operations assistant, peer support specialist, program administrator, program assistant, receptionist, technology administrator, and team leader. Among other things, on July 1, 2020 the CBO calls for all covered employees to receive a wage increase of 3.5% over the prior year or be brought to the minimum starting rate for their classification, whichever is greater. Effective July 1, 2021 all covered employees shall receive a wage increase of 2.5% over the prior year, including longevity adjustments which increases their base wages after three (3) or more years of service. The current agreement is in effect until June 20, 2022.

On February 16, 2021 the Organization was granted a loan (the Loan) from Key National Bank in the aggregate amount of \$1,999,999, pursuant to the second round of the Paycheck Protection Program (the PPP). The Loan, which was in the form of a Note dated February 16, 2021 matures on February 16, 2026 and bears interest at 1.00% per annum, payable in 50 monthly payments of principal and interest commencing January 16, 2022. The Organization intends to use the funds from the Loan for qualifying expenses over a 24 week period that will meet the requirements for forgiveness under the terms of the PPP. While the Organization currently believes that its use of the Loan proceeds will meet the conditions for forgiveness of the Loan, it is uncertain whether events will take place that could cause the Organization to be ineligible for forgiveness of the Loan, in whole or in part.

During fiscal 2020, as a result of the COVID-19 pandemic, the Organization was forced to alter the operations of its Resource Center and close operating as a drop-in center. Subsequent to year-end those changes have been made permanent and The Resource Center will no longer be operated as a drop-in center. The Organization received approval from the City of Portland Planning Board use the Resource Center building as a 40-bed shelter, and has received funding from MaineHousing for capital improvements.