



**PREBLE STREET
FINANCIAL STATEMENTS
June 30, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
of Preble Street

Report on the Financial Statements

We have audited the accompanying financial statements of Preble Street (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in *Change in Accounting Principle* footnote, in 2019 Preble Street adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, on our consideration of Preble Street's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



January 31, 2020

South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 2,144,927	2,325,654
Accounts receivable	38,842	42,732
Pledges receivable, current portion	108,810	155,430
Grants receivable	591,535	728,021
Prepaid expenses	187,513	133,710
Inventory	1,117	3,394
Total current assets	3,072,744	3,388,941
Investments:		
Investments	3,690,066	3,755,554
Beneficial interest in perpetual trust	160,825	158,022
Total investments	3,850,891	3,913,576
Property and equipment:		
Land	422,930	422,930
Buildings and improvements	8,109,609	8,038,667
Equipment	785,219	767,289
Vehicles	25,500	25,500
	9,343,258	9,254,386
Less accumulated depreciation	(3,825,468)	(3,553,866)
Net property and equipment	5,517,790	5,700,520
Other assets:		
Pledges receivable, non-current, net	-	4,951
Unemployment trust	44,491	41,473
Deferred compensation plan assets (457(b))	113,339	121,950
Total other assets	157,830	168,374
Total assets	\$ 12,599,255	13,171,411
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 200,728	172,130
Accrued expenses	574,321	596,900
Capital lease, current portion	-	1,084
Total current liabilities	775,049	770,114
Total liabilities	775,049	770,114
Net assets:		
Without donor restrictions:		
Undesignated	2,357,326	2,513,522
Board-designated investments	1,593,033	1,603,303
Investment in property and equipment	5,517,790	5,699,436
Total without donor restrictions	9,468,149	9,816,261
With donor restrictions	2,356,057	2,585,036
Total net assets	11,824,206	12,401,297
Total liabilities and net assets	\$ 12,599,255	13,171,411

See accompanying notes to financial statements.

PREBLE STREET
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Government grant income	\$ 5,369,811	-	5,369,811	5,783,434	-	5,783,434
Fee for service income	261,951	-	261,951	302,455	-	302,455
Contributions	3,705,515	99,163	3,804,678	4,270,699	196,617	4,467,316
Donated services	262,170	-	262,170	168,300	-	168,300
Donated goods	2,010,420	-	2,010,420	2,047,867	-	2,047,867
United Way	397,803	-	397,803	481,782	-	481,782
Other income	13,628	-	13,628	12,905	-	12,905
Investment income, net	79,521	83,760	163,281	152,934	171,863	324,797
Change in fair value of perpetual trust	-	2,803	2,803	-	4,085	4,085
Total revenue and support	12,100,819	185,726	12,286,545	13,220,376	372,565	13,592,941
Net assets released from restrictions:	414,705	(414,705)	-	388,632	(388,632)	-
Total revenue, support, and reclassifications	12,515,524	(228,979)	12,286,545	13,609,008	(16,067)	13,592,941
Program expenses:						
Food programs	2,675,644	-	2,675,644	2,774,246	-	2,774,246
Resource Center	1,544,564	-	1,544,564	1,649,499	-	1,649,499
Veterans Services	1,892,165	-	1,892,165	2,005,638	-	2,005,638
Maine Hunger Initiative	144,426	-	144,426	194,737	-	194,737
Community Advocacy	133,185	-	133,185	142,064	-	142,064
Teen Center	601,507	-	601,507	667,731	-	667,731
Joe Kreisler Teen Shelter	600,120	-	600,120	654,813	-	654,813
Logan Place	648,740	-	648,740	603,156	-	603,156
Florence House	1,530,358	-	1,530,358	1,473,946	-	1,473,946
First Place	288,350	-	288,350	599,341	-	599,341
Anti-Trafficking	422,196	-	422,196	454,892	-	454,892
Huston Commons	639,899	-	639,899	615,174	-	615,174
Health Services	263,879	-	263,879	218,986	-	218,986
Total program expenses	11,385,033	-	11,385,033	12,054,223	-	12,054,223
Supporting services:						
Administration	1,039,639	-	1,039,639	1,114,812	-	1,114,812
Fundraising	438,964	-	438,964	419,488	-	419,488
Total supporting services	1,478,603	-	1,478,603	1,534,300	-	1,534,300
Total expenses	12,863,636	-	12,863,636	13,588,523	-	13,588,523
Change in net assets	(348,112)	(228,979)	(577,091)	20,485	(16,067)	4,418
Net assets, beginning of year	9,816,261	2,585,036	12,401,297	9,795,776	2,601,103	12,396,879
Net assets, end of year	\$ 9,468,149	2,356,057	11,824,206	9,816,261	2,585,036	12,401,297

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2019

	Program services													Supporting services			Total expenses	
	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	Health Services	Total	Administration	Fundraising		Total
Salaries	\$ 587,003	761,985	858,356	95,745	76,485	316,196	396,940	481,680	912,516	157,066	177,237	475,525	118,913	5,415,647	558,909	294,797	853,706	6,269,353
Payroll taxes and employee benefits	133,467	179,385	213,349	23,514	18,771	75,419	95,164	113,976	212,066	39,576	45,499	110,329	28,909	1,289,424	188,672	74,302	262,974	1,552,398
Outside services	1,315	21,749	1,961	137	123	4,743	631	660	3,439	144	292	656	276	36,126	63,226	482	63,708	99,834
Donated goods	1,609,288	358,306	3,040	-	-	19,158	-	6,383	6,544	-	700	2,663	200	2,006,282	4,138	-	4,138	2,010,420
Donated services	11,737	30,174	12,103	9,618	12,518	11,717	1,162	6,826	28,214	7,938	115,890	12,356	509	260,762	572	835	1,407	262,169
Program expenses	63,998	10,368	478,281	120	727	2,950	907	4,203	15,694	43,469	40,149	3,795	19,510	684,171	4,083	993	5,076	689,247
Subcontracts	-	-	81,740	-	-	32,000	-	-	-	14,523	9,298	-	-	137,561	-	-	-	137,561
Food	53,483	6,880	10,800	20	100	44,422	-	7,955	104,172	1,480	1,280	7,440	1,900	239,932	-	-	-	239,932
Occupancy	108,171	95,811	61,502	1,061	1,423	31,208	41,573	1,258	152,669	3,627	5,837	1,242	44,336	549,718	44,091	4,923	49,014	598,732
Office supplies	890	2,722	3,969	92	87	1,008	224	754	2,420	1,414	650	460	90	14,780	4,290	129	4,419	19,199
Technology	13,659	15,281	26,065	2,273	1,896	6,974	7,540	7,924	48,003	3,272	4,126	8,818	3,373	149,204	50,564	18,477	69,041	218,245
Printing	27	654	280	3	21	41	16	39	101	27	252	58	63	1,582	11,457	13,448	24,905	26,487
Insurance	5,812	5,613	8,390	599	480	2,142	2,821	3,004	6,308	1,195	1,072	2,895	1,432	41,763	1,853	2,177	4,030	45,793
Professional fees	3,753	3,609	5,391	414	312	1,334	1,783	1,961	4,437	1,301	436	1,892	937	27,560	25,798	1,394	27,192	54,752
Postage	953	1,774	1,913	98	83	343	461	493	1,007	239	167	467	233	8,231	7,759	4,294	12,053	20,284
Staff development	6,110	7,473	36,693	1,729	2,981	11,015	4,016	4,872	17,123	7,403	7,822	3,964	4,082	115,283	8,820	2,310	11,130	126,413
Travel	7,206	801	61,062	982	778	198	301	1,256	2,360	1,307	8,592	1,963	1,410	88,216	1,739	80	1,819	90,035
Volunteer support	11,476	11	16	4,568	1	4	5	5	10	4	3	5	3	16,111	669	4	673	16,784
Training/advocacy stipend	-	-	-	-	14,280	9,975	-	-	-	-	-	-	-	24,255	-	-	-	24,255
Research and evaluation	-	-	-	1,450	-	-	-	-	-	-	-	-	-	1,450	2,025	-	2,025	3,475
Telephone	696	1,393	1,836	244	174	836	348	1,938	2,135	189	487	1,262	139	11,677	1,880	279	2,159	13,836
Other	4,408	5,404	11,075	757	960	2,316	4,204	2,997	6,691	2,165	1,866	3,562	969	47,374	11,836	13,620	25,456	72,830
Depreciation expense	2,623,452	1,509,393	1,877,822	143,424	132,200	573,999	558,096	648,184	1,525,909	286,339	421,655	639,352	227,284	11,167,109	992,381	432,544	1,424,925	12,592,034
	52,192	35,171	14,343	1,002	985	27,508	42,024	556	4,449	2,011	541	547	36,595	217,924	47,258	6,420	53,678	271,602
Total expenses	\$ 2,675,644	1,544,564	1,892,165	144,426	133,185	601,507	600,120	648,740	1,530,358	288,350	422,196	639,899	263,879	11,385,033	1,039,639	438,964	1,478,603	12,863,636

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2018

	Program services													Supporting services			Total expenses	
	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	Health Services	Total	Administration	Fundraising		Total
Salaries	\$ 579,506	840,190	913,038	98,867	90,402	372,246	440,544	447,111	907,372	223,662	278,420	453,393	92,257	5,737,008	639,027	285,772	924,799	6,661,807
Payroll taxes and employee benefits	135,429	197,017	228,761	25,128	23,393	92,633	109,153	103,680	214,326	57,143	70,980	110,624	22,552	1,390,819	239,330	73,013	312,343	1,703,162
Outside services	218	18,856	339	23	20	4,747	109	79	1,599	72	72	84	32	26,250	166	35	201	26,451
Donated goods	1,648,637	362,230	2,200	200	-	16,221	-	6,304	5,744	-	800	2,490	328	2,045,154	2,713	-	2,713	2,047,867
Donated services	7,690	23,110	9,824	41,037	23	12,400	108	9,225	34,754	2,898	12,353	11,763	3,027	168,212	19	69	88	168,300
Program expenses	49,968	13,218	435,925	604	854	3,487	734	5,326	9,736	82,121	18,386	4,013	19,445	643,817	2,842	1,998	4,840	648,657
Subcontracts	-	2,716	166,652	31	-	32,000	-	-	24,344	192,262	20,975	-	-	438,980	-	-	-	438,980
Food	132,927	5,220	6,360	300	240	37,833	-	7,000	84,949	2,600	460	6,200	1,060	285,149	-	-	-	285,149
Occupancy	117,858	93,784	54,169	1,251	1,187	30,307	35,752	3,211	114,689	3,188	4,493	2,899	35,885	498,673	35,276	4,213	39,489	538,162
Office supplies	4,516	5,838	9,039	143	151	2,483	4,840	1,105	8,755	586	581	830	418	39,285	10,567	761	11,328	50,613
Technology	11,125	14,292	41,228	1,360	2,678	6,121	5,784	6,444	27,450	10,764	16,589	5,547	2,143	151,525	68,642	13,165	81,807	233,332
Printing	-	647	252	-	-	194	-	-	102	18	150	31	-	1,394	14,578	9,798	24,376	25,770
Insurance	5,606	5,255	9,455	698	604	2,708	3,008	2,474	5,833	2,266	1,765	2,590	871	43,133	1,116	1,248	2,364	45,497
Professional fees	3,181	2,843	5,259	397	325	1,508	1,711	1,357	3,285	1,164	917	1,449	460	23,856	15,858	672	16,530	40,386
Postage	1,030	1,587	2,363	127	113	506	555	462	1,091	414	328	481	161	9,218	472	4,694	5,166	14,384
Staff development	5,265	7,090	23,746	1,833	1,693	6,982	5,809	3,819	15,072	6,891	9,366	4,350	1,432	93,348	16,187	3,832	20,019	113,367
Travel	3,144	2,759	57,814	2,784	3,063	449	272	869	1,936	3,465	9,074	1,764	685	88,078	1,482	81	1,563	89,641
Volunteer support	12,827	44	81	17,667	5	21	23	20	47	21	15	21	46	30,838	1,920	264	2,184	33,022
Training/advocacy stipend	-	-	-	-	13,840	8,457	-	-	-	-	-	-	-	22,297	-	-	-	22,297
Research and evaluation	-	9,163	188	100	525	669	669	208	208	-	1,863	208	2,325	16,126	3,675	-	3,675	19,801
Cell phone	1,139	1,755	12,874	319	1,070	419	365	562	1,496	3,378	4,574	1,564	562	30,077	2,528	353	2,881	32,958
Other	3,764	5,790	10,388	700	736	2,926	3,746	3,134	6,080	3,477	2,205	4,109	569	47,624	9,213	12,874	22,087	69,711
	2,723,830	1,613,404	1,989,955	193,569	140,922	635,317	613,182	602,390	1,468,868	596,390	454,366	614,410	184,258	11,830,861	1,065,611	412,842	1,478,453	13,309,314
Depreciation expense	50,416	36,095	15,683	1,168	1,142	32,414	41,631	766	5,078	2,951	526	764	34,728	223,362	49,201	6,646	55,847	279,209
Total expenses	\$ 2,774,246	1,649,499	2,005,638	194,737	142,064	667,731	654,813	603,156	1,473,946	599,341	454,892	615,174	218,986	12,054,223	1,114,812	419,488	1,534,300	13,588,523

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (577,091)	4,418
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	271,602	279,209
Change in unamortized discount	-	(1,517)
Realized and unrealized loss (gain) on investments	16,486	(183,344)
Change in value of beneficial interest in perpetual trust	(2,803)	(4,085)
(Increase) decrease in assets:		
Accounts receivable	3,890	21,850
Pledges receivable	51,571	82,147
Grants receivable	136,486	(33,009)
Prepaid expenses	(53,803)	28,612
Inventory	2,277	34,821
Unemployment trust	(3,018)	(12,352)
Increase (decrease) in liabilities:		
Accounts payable	28,598	40,134
Accrued expenses	(22,579)	42,405
Funds held for others	-	(132,499)
Deferred revenue	-	(4,208)
Net cash (used in) provided by operating activities	(148,384)	162,582
Cash flows from investing activities:		
Proceeds from sale of investments	1,346,961	562,566
Purchases of investments	(1,289,348)	(603,565)
Purchase of property and equipment	(88,872)	(19,019)
Net cash used in investing activities	(31,259)	(60,018)
Cash flows from financing activities:		
Payments on capital lease	(1,084)	(3,188)
Net cash used in financing activities	(1,084)	(3,188)
Net change in cash	(180,727)	99,376
Cash, beginning of year	2,325,654	2,226,278
Cash, end of year	\$ 2,144,927	2,325,654
Supplemental disclosures:		
Cash paid during the year for interest	\$ -	86

See accompanying notes to financial statements.

PREBLE STREET
Notes to Financial Statements
June 30, 2019 and 2018

DESCRIPTION OF PURPOSE

Preble Street (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.

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
Notes to Financial Statements, Continued
June 30, 2019 and 2018

DESCRIPTION OF PURPOSE, CONTINUED

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 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
Notes to Financial Statements, Continued
June 30, 2019 and 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle - During the year, the Organization adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Presentation - The financial statement presentation follows the provisions of FASB ASC 958-605 *Revenue Recognition-Contributions* and FASB ASC 958-205 *Presentation of Financial Statements*. Under these provisions, Preble Street is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, and are available for support of programs or any other purpose deemed appropriate by the Board of Trustees. Board-designated funds are considered to be without donor restrictions.

Net assets with donor restrictions - Net assets 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, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions, and reported in the statement of activities as net assets released from restrictions. These net assets may also include funds that are subject to legal restrictions, such as the unappropriated appreciation of donor-restricted endowment funds. The Organization has elected to report all contributions received with donor-restrictions that are temporary in nature, whose restrictions are met within the same fiscal period, as contributions without donor-restrictions in the statement of activities.

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

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts and Grants Receivable - Preble Street 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 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
Notes to Financial Statements, Continued
June 30, 2019 and 2018

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 a new ASU No. 2019-10, which delays the implementation date of ASU 2016-02 for one year. The revised effective date for nonprofit organizations would be for fiscal years beginning after December 15, 2020. 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, 2019 and 2018. As of June 30, 2019 and 2018, Preble Street'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 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 \$629,132 and \$754,415 at June 30, 2019 and 2018, respectively, and are included as uninsured cash at June 30, 2019 and 2018, which amounted to \$1,238,957 and \$1,438,340, respectively.

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2019</u>	<u>2018</u>
Appleton Gardens	\$ -	587
City of Portland	51,140	126,216
Maine State Housing Authority	35,045	48,595
Cumberland County	332	9,838
U.S. Department of Justice	80,394	81,339
Southern Maine Area Agency on Aging	7,263	6,657
U.S. Department Housing and Urban Development	85,833	228,069
U.S. Department of Health and Human Services	3,626	47,533
Portland Housing Authority	-	4,598
New England Coalition	10,600	3,525
State of Maine Department of Health and Human Services	270,608	-
State of Maine	-	13,929
Greater Portland Health	-	4,344
U.S. Department of Veterans Affairs	23,738	152,791
Freedom Network USA	689	-
Greater Portland Health	21,007	-
Other	1,260	-
Total grants receivable	\$ 591,535	728,021

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

PLEDGES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 108,810	155,430
One year to five years	-	5,100
Over five years	-	-
	108,810	160,530
Less unamortized discount of 3%		
at June 30, 2018	-	(149)
	108,810	160,381
Less current portion	(108,810)	(155,430)
<u>Non-current portion</u>	\$ -	4,951

Pledges receivable at June 30, 2019 and 2018 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.

CONDITIONAL PROMISES TO GIVE

In June, 2019 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2020. 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, 2019, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$340,000. 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, 2020.

In May, 2017 Preble Street 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 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
Notes to Financial Statements, Continued
June 30, 2019 and 2018

INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 2,137,262	2,711,025
Certificates of deposit	551,265	140,714
Exchange-traded funds	961,089	831,907
Money market funds and cash equivalents	40,450	18,572
Alternative investments	-	53,336
Totals	\$ 3,690,066	3,755,554

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, which 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, 2019 and 2018, the balances in this account were \$160,825 and \$158,022, respectively.

ENDOWMENT

At June 30, 2019 and 2018, Preble Street had Board-designated endowment funds totaling \$1,593,033 and \$1,603,303, respectively, and donor-restricted endowment funds totaling \$1,936,297 and \$1,864,618, respectively. The purpose of these funds is to generate income to be used to provide annual support to the ongoing operations of Preble Street. Preble Street has adopted the provisions of FASB ASC 958-205-50-1A *Reporting Endowment Funds*. Under these provisions, Preble Street 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 is also required to provide the following disclosures relating to its endowment activities.

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.

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT, CONTINUED

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 shall be based upon the following principles:

- No portion of the Board-designated endowment fund will be spent until the value of the pool equals or exceeds \$1,050,000 at the end of the fiscal year.
- Donor-restricted endowment fund agreement mandates that no spending is allowed that would make the value of the investment less than the original corpus amount of \$1,400,000.
- Thereafter, the endowment funds can be spent up to an annual cap calculated at five percent of the average total fund value, as of the end of each of the immediately preceding four fiscal years, net of fees and all other expenses. For purposes of calculating this four-year average, fiscal years before which the net value of the funds was not at \$1,050,000 as of the end of the fiscal year, shall be ignored.
- This is a maximum amount and Preble Street can elect to spend less should it choose to do so. In fiscal years 2019 and 2018, Preble Street utilized 2.81% from its endowment funds, respectively.

Distributions from the Board-designated endowment were \$150,391 and \$93,000, in 2019 and 2018, respectively. There were no distributions made from the donor-restricted endowment fund in 2019 or 2018, respectively.

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 year ended June 30, 2019 and 2018, the Organization did not have any underwater endowment funds.

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.

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT, CONTINUED

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 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
Totals	\$ 1,593,033	1,936,297	3,529,330

Changes in Preble Street'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
Contributions	-	-	-
Transfers in	77,422	-	77,422
Investment return, net	62,699	71,679	134,378
Amounts appropriated for expenditure	(150,391)	-	(150,391)
Endowment net assets, end of year	\$ 1,593,033	1,936,297	3,529,330

Preble Street's endowment balances were comprised of the following at June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 1,603,303	-	1,603,303
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	1,558,022	1,558,022
Accumulated investment gains	-	306,596	306,596
Totals	\$ 1,603,303	1,864,618	3,467,921

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ENDOWMENT, CONTINUED

Changes in Preble Street's endowment balances for the year ended June 30, 2018 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,557,197	1,721,430	3,278,627
Contributions	-	-	-
Investment return, net	139,106	143,188	282,294
<u>Amounts appropriated for expenditure</u>	<u>(93,000)</u>	<u>-</u>	<u>(93,000)</u>
Endowment net assets, end of year	<u>\$ 1,603,303</u>	<u>1,864,618</u>	<u>3,467,921</u>

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

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

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for level 2 assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- *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.

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

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.

The table below segregates all financial assets and liabilities as of June 30, 2019 and 2018 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

	<u>Fair value measurements at 06/30/19 using:</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 40,450	40,450	-
Deferred compensation assets			
Mutual funds	113,338	113,338	-
Certificates of deposit	551,265	551,265	-
Mutual funds	2,137,263	2,137,263	-
Exchange-traded funds	961,089	961,089	-
Beneficial interest in perpetual trust	160,825	-	160,825
Totals	\$ 3,964,230	3,803,405	160,825

	<u>Fair value measurements at 06/30/18 using:</u>		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 18,572	18,572	-
Deferred compensation assets			
Mutual funds	121,950	121,950	-
Certificates of deposit	140,714	140,714	-
Mutual funds	2,711,025	2,711,025	-
Exchange-traded funds	831,907	831,907	-
Beneficial interest in perpetual trust	158,022	-	158,022
Total assets measured at fair value	3,982,190	3,824,168	158,022
Assets measured at net asset value	53,336	-	-
Totals	\$ 4,035,526	3,824,168	158,022

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The following includes a summary of fair values and redemption features related to investments for which assets are measured at net asset value as a practical expedient at June 30:

	<u>2019</u>	<u>2018</u>	<u>Redemption frequency</u>	<u>Redemption notice</u>
Alternative investments – SkyBridge	\$ -	53,336	Quarterly	30 days

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, 2019 and 2018.

LINE OF CREDIT

Preble Street has available a line of credit agreement with a financial institution for a maximum borrowing limit of \$350,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 6.00%, and 5.50% at June 30, 2019 and 2018, respectively). At June 30, 2019 and 2018, there were no amounts outstanding on this line of credit.

OBLIGATION UNDER OPERATING LEASE

Preble Street holds a number of non-cancelable operating leases. The leases are for the use of office space and equipment, program space including the safe haven and shelter portions of the building that houses Florence House and apartments for the First Place Program, and the use of certain vehicles. The agreements call for monthly rental payments ranging from \$56 to \$5,926, and can be adjusted annually to reflect changes in the related facility's operating expenses. 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>
2020	\$ 138,751
2021	95,387
2022	83,777
2023	71,112
2024	71,112
<u>Thereafter</u>	<u>1,120,014</u>
<u>Total</u>	<u>\$ 1,580,153</u>

During the years ended June 30, 2019 and 2018, total rent expense incurred by Preble Street related to these agreements amounted to \$107,542 and \$102,932, respectively.

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

OBLIGATION UNDER CAPITAL LEASE

During 2014, Preble Street secured the use of certain office equipment under the terms of a capital lease. The cost basis of equipment thus capitalized amounted to \$15,169 at both June 30, 2019 and 2018. Accumulated depreciation amounted to \$15,169 and \$10,099 at June 30, 2019 and 2018, respectively. The lease matured during fiscal 2019, and therefore no amounts are due at June 30, 2019.

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, 2019 and 2018 amounted to \$34,709 and \$37,526, respectively.

During fiscal year 2015, Preble Street began participating in a retirement plan under Internal Revenue Service Code Section 457(b) for the benefit of each officer of the Organization. The plan stipulates that annual contributions will be made on behalf of each participant in an amount determined at the sole discretion of the Executive Committee of the Board of Directors. Total expenses incurred under this plan amounted to \$2,500 and \$30,000 for the years ended June 30, 2019 and 2018, respectively. Total plan assets and the corresponding retirement plan liability of \$113,339 and \$121,950 as of June 30, 2019 and 2018, respectively, are presented as an asset and an accrued expense in the statements of financial position.

DONATED SERVICES AND GOODS

During the years ended June 30, 2019 and 2018, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$2,272,590 and \$2,216,167 for 2019 and 2018, respectively, have been reflected in the accompanying financial statements as public support with a like amount included in expenses as donated services and goods, food commodities, and food and program expenses.

The value of nonprofessional, donated services is not reflected in the accompanying financial statements as these services do not meet the criteria outlined in FASB ASC 958-605 *Revenue Recognition-Contributions*. However, Preble Street utilizes in excess of 5,500 nonprofessional volunteers that have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$500,176 in 2019 and \$519,215 in 2018.

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

OTHER ECONOMIC CONCENTRATIONS AND RISKS

At June 30, 2019 and 2018 approximately 55% and 54%, respectively, 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.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

To be held in perpetuity:

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trust with income restricted for self-sufficiency efforts	\$ 160,825	158,022
Endowment funds held in perpetuity with income restricted for programs	1,400,000	1,400,000
Totals	\$ 1,560,825	1,558,022

Subject to Preble Street’s spending policy and appropriation:

Endowment funds with income restricted to programs	\$ 375,472	306,596
Totals	\$ 375,472	306,596

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

Maine Hunger Initiative	\$ -	60,000
38 Preble Street Building and Operating Fund	320,596	496,352
First Place Program	-	27,449
Food programs	-	72,917
Community advocacy	53,093	15,000
Resource center	-	40,000
Health Services	-	8,700
Kreisler Shelter	31,061	-
Teen Center	4,726	-
Other	10,284	-
Totals	\$ 419,760	720,418

Total net assets with donor restrictions	\$ 2,356,057	2,585,036
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PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

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.

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

	<u>2019</u>	<u>2018</u>
Board-designated quasi endowment	\$ 1,593,033	1,603,303
Totals	\$ 1,593,033	1,603,303

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>2019</u>	<u>2018</u>
38 Preble Street Building and Operating fund	\$ 175,755	75,696
Health services	8,700	147,957
Huston commons	-	57,092
First Place Program	27,449	107,887
Food programs	72,917	-
Community advocacy	15,000	-
Maine Hunger Initiative	60,000	-
Resource Center	40,000	-
Totals	\$ 399,821	388,632

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, 2019 and 2018, these stipends totaled \$12,240 in each year.

LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization 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	\$ 2,144,927
Accounts receivable	39,581
Grants receivable	592,436
Pledges receivable, unrestricted	15,000
Total	\$ 2,791,944

PREBLE STREET
Notes to Financial Statements, Continued
June 30, 2019 and 2018

LIQUIDITY AND AVAILABILITY OF RESOURCES, CONTINUED

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 pledges receivable are subject to implied time restrictions but are expected to be collected within one year.

The Organization's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowment. As described in the "Endowment" footnote, the Organization's Board of Trustees 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.

The Organization 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, the Organization has one committed line of credit in the amount of \$350,000 which it could draw upon in the event of an unanticipated liquidity need. Additionally, although the Organization 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.

METHOD USED FOR ALLOCATION OF EXPENSES

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.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through January 31, 2020, which is the date these financial statements were available to be issued.

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).

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 intends to use the new building for programming purposes that are yet to be determined.