



PREBLE STREET AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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

March 24, 2022

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022, 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 "Remy Kristen Ouellette". The signature is written in a cursive, flowing style.

March 24, 2022

South Portland, Maine

PREBLE STREET AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,929,673	3,427,417
Accounts receivable	32,162	24,823
Pledges receivable, current portion	1,524,550	1,085,900
Grants receivable	2,333,983	1,357,252
Prepaid expenses	288,338	111,684
Inventory	1,771	1,826
Total current assets	8,110,477	6,008,902
Investments:		
Investments	6,129,139	3,863,690
Total investments	6,129,139	3,863,690
Property and equipment:		
Land	1,031,974	1,029,498
Buildings and improvements	8,066,442	8,066,442
Equipment	785,825	785,825
Vehicles	25,500	25,500
Construction in progress	4,675,524	1,528,359
	14,585,265	11,435,624
Less accumulated depreciation	(4,330,914)	(4,084,597)
Net property and equipment	10,254,351	7,351,027
Other assets:		
Restricted cash and cash equivalents	772,934	4,399,962
Pledges receivable, non-current, net	1,599,805	1,396,561
Unemployment trust	33,595	48,304
Deferred compensation plan assets (457b)	268,465	165,283
Total other assets	2,674,799	6,010,110
Total assets	\$ 27,168,766	23,233,729
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 271,746	259,880
Accrued expenses	1,265,982	968,566
Deferred revenue	355,886	203,596
Total current liabilities	1,893,614	1,432,042
Non-current Liabilities:		
PPP loan payable	1,999,999	1,274,000
Total non-current liabilities	1,999,999	1,274,000
Total liabilities	3,893,613	2,706,042
Net assets:		
Without donor restrictions:		
Undesignated	2,582,703	2,431,332
Board-designated investments	2,218,611	1,755,277
Investment in property and equipment	5,012,343	5,258,661
Total without donor restrictions	9,813,657	9,445,270
With donor restrictions	13,461,496	11,082,417
Total net assets	23,275,153	20,527,687
Total liabilities and net assets	\$ 27,168,766	23,233,729

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Government grant income	\$ 12,124,745	-	12,124,745	7,534,947	-	7,534,947
Fee for service income	161,984	-	161,984	133,753	-	133,753
Contributions	3,591,895	3,237,205	6,829,100	5,114,459	8,974,077	14,088,536
Donated services	105,107	-	105,107	187,187	-	187,187
Donated goods	1,541,962	-	1,541,962	2,013,025	-	2,013,025
United Way	418,802	-	418,802	433,824	-	433,824
Rental income	12,435	-	12,435	12,240	-	12,240
SBA PPP Loan forgiveness	1,274,000	-	1,274,000	-	-	-
Other income	-	-	-	2,040	-	2,040
Investment income, net	479,260	545,427	1,024,687	3,058	24,463	27,521
Total revenue and support	19,710,190	3,782,632	23,492,822	15,434,533	8,998,540	24,433,073
Net assets released from restrictions:						
Restrictions satisfied by time or expenditure	1,403,553	(1,403,553)	-	99,177	(99,177)	-
Restrictions released by donor	-	-	-	173,003	(173,003)	-
Total net assets released from restrictions	1,403,553	(1,403,553)	-	272,180	(272,180)	-
Total revenue, support, and reclassifications	21,113,743	2,379,079	23,492,822	15,706,713	8,726,360	24,433,073
Program expenses:						
Food programs	3,297,190	-	3,297,190	3,171,410	-	3,171,410
Rapid rehousing	454,002	-	454,002	-	-	-
Resource center	-	-	-	1,190,257	-	1,190,257
Veterans services	4,452,868	-	4,452,868	2,376,471	-	2,376,471
Maine hunger initiative	150,425	-	150,425	114,778	-	114,778
Community advocacy	28,515	-	28,515	117,452	-	117,452
Teen center	951,909	-	951,909	732,684	-	732,684
Joe Kreisler teen shelter	777,209	-	777,209	658,864	-	658,864
Logan place	1,055,602	-	1,055,602	797,703	-	797,703
Florence house	2,154,342	-	2,154,342	1,628,298	-	1,628,298
First place	-	-	-	180,434	-	180,434
Anti-Trafficking	898,672	-	898,672	615,252	-	615,252
Huston commons	1,017,774	-	1,017,774	771,767	-	771,767
Health services	385,434	-	385,434	259,310	-	259,310
Street outreach collaborative	592,871	-	592,871	39,027	-	39,027
Quarantine shelter	328,881	-	328,881	60,114	-	60,114
Wellness shelter	135,096	-	135,096	767,032	-	767,032
Lewiston shelter	213,286	-	213,286	-	-	-
Homeless voices for justice	111,147	-	111,147	-	-	-
COVID hotel shelter	895,018	-	895,018	-	-	-
TS Housing	264,110	-	264,110	-	-	-
Other programs	33,975	-	33,975	-	-	-
Total program expenses	18,198,326	-	18,198,326	13,480,853	-	13,480,853
Supporting services:						
Administration	2,004,483	-	2,004,483	1,639,086	-	1,639,086
Fundraising	542,547	-	542,547	609,653	-	609,653
Total supporting services	2,547,030	-	2,547,030	2,248,739	-	2,248,739
Total expenses	20,745,356	-	20,745,356	15,729,592	-	15,729,592
Change in net assets	368,387	2,379,079	2,747,466	(22,879)	8,726,360	8,703,481
Net assets, beginning of year	9,445,270	11,082,417	20,527,687	9,468,149	2,356,057	11,824,206
Net assets, end of year	\$ 9,813,657	13,461,496	23,275,153	9,445,270	11,082,417	20,527,687

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

Program services															
		Food Programs	Rapid Rehousing	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Joe Kreisler Teen Shelter	Logan Place	Florence House	Anti- Trafficking	Huston Commons	Health Services	Street Outreach Collaboration	Quarantine Shelter
Salaries	\$	1,046,942	256,464	1,192,532	105,261	4,310	622,868	544,939	828,159	1,551,759	555,949	792,399	228,112	248,661	285,222
Payroll taxes and employee benefits		216,532	56,490	365,458	22,149	770	140,688	135,529	161,611	323,117	138,979	170,587	46,405	57,212	30,459
Donated goods		1,370,785	-	1,114	-	-	3,514	-	4,012	4,647	150	1,176	-	156,174	-
Donated services		-	-	7,253	13,859	-	20,865	-	13,510	13,028	12,634	11,425	3,785	1,699	-
Food		332,948	-	-	-	-	-	-	-	-	-	-	-	-	189
Insurance		5,721	2,046	8,986	799	-	3,990	2,786	4,499	8,452	4,357	4,585	1,258	1,903	-
Occupancy		108,584	4,958	70,595	1,584	309	30,341	37,558	7,199	165,140	21,455	5,621	40,018	48,121	2,032
Office supplies		1,313	480	5,672	4	-	2,272	51	1,550	2,940	1,165	113	361	1,446	76
Other		5,115	1,538	7,067	627	-	3,210	2,361	3,504	6,582	3,699	3,570	1,140	2,089	470
Outside services		290	121	456	387	-	2,403	2,342	228	429	221	233	64	97	-
Postage		710	268	1,753	99	-	515	342	559	1,164	585	562	157	1,192	-
Printing		476	195	86	4	23	41	35	43	61	2,955	21	6	54	-
Professional fees		3,590	1,051	6,008	501	14,162	12,691	1,748	5,948	5,303	2,732	2,877	789	1,194	-
Program expenses		122,818	108,103	2,650,328	1,359	6,588	7,972	2,778	5,181	23,016	102,981	8,138	17,403	32,618	6,226
Staff development		7,428	3,300	9,146	569	590	8,958	3,931	4,110	11,694	6,977	4,011	1,538	1,862	2,444
Subcontracts		-	-	43,540	-	-	32,000	-	-	-	9,462	-	-	-	-
Technology		13,758	15,864	51,508	1,680	1,205	18,152	6,957	12,310	29,984	26,744	10,322	6,512	4,935	1,648
Telephone		762	-	2,153	153	-	914	381	2,660	1,643	457	1,537	229	1,026	91
Training/advocacy stipend		-	-	-	-	350	19,212	-	-	137	-	-	350	-	-
Travel		9,847	906	15,973	426	208	31	13	57	1,472	5,403	127	1,090	431	24
Volunteer support		-	-	-	-	-	701	-	-	-	-	-	-	-	-
		3,247,619	451,784	4,439,628	149,461	28,515	931,338	741,751	1,055,140	2,150,568	896,905	1,017,304	349,217	560,714	328,881
Depreciation expense		49,571	2,218	13,240	964	-	20,571	35,458	462	3,774	1,767	470	36,217	32,157	-
Total expenses	\$	3,297,190	454,002	4,452,868	150,425	28,515	951,909	777,209	1,055,602	2,154,342	898,672	1,017,774	385,434	592,871	328,881

PREBLE STREET AND SUBSIDIARY
Consolidated Statement of Functional Expenses, Continued
Year Ended June 30, 2021

	Program services							Supporting services			
	Wellness Shelter	Lewiston Shelter	Homeless Voices for Justice	COVID Hotel Shelter	TS Housing	Other Programs	Total	Administration	Fundraising	Total	Total expenses
Salaries	\$ 50,338	121,818	78,498	735,275	123,024	(1,605)	9,370,925	1,292,026	344,505	1,636,531	11,007,456
Payroll taxes and employee benefits	8,925	10,254	13,652	81,980	33,606	923	2,015,326	369,588	95,850	465,438	2,480,764
Donated goods	-	-	-	-	-	-	1,541,572	390	-	390	1,541,962
Donated services	-	-	-	-	-	-	98,058	7,049	-	7,049	105,107
Food	10,910	6,864	-	-	-	-	350,911	-	-	-	350,911
Insurance	-	-	731	-	994	-	51,107	7,814	2,118	9,932	61,039
Occupancy	741	1,743	1,524	10,308	2,575	7,875	568,281	47,527	5,932	53,459	621,740
Office supplies	-	43	3	477	3	90	18,059	2,815	141	2,956	21,015
Other	175	-	1,074	-	778	-	42,999	40,760	24,053	64,813	107,812
Outside services	43,159	-	383	-	50	22,500	73,363	10,205	108	10,313	83,676
Postage	-	55	94	-	156	-	8,211	9,927	9,295	19,222	27,433
Printing	-	-	3	-	27	-	4,030	12,571	23,662	36,233	40,263
Professional fees	-	-	458	-	623	4,950	64,625	45,125	1,815	46,940	111,565
Program expenses	3,559	58,574	658	17,762	87,943	32	3,264,037	16,555	3,455	20,010	3,284,047
Staff development	862	1,518	521	3,659	1,334	160	74,612	24,204	2,961	27,165	101,777
Subcontracts	16,208	1,125	-	12,817	-	-	115,152	5,525	975	6,500	121,652
Technology	40	10,753	1,541	32,178	10,670	409	257,170	65,370	21,671	87,041	344,211
Telephone	151	-	191	414	114	-	12,876	2,058	305	2,363	15,239
Training/advocacy stipend	-	-	10,200	-	-	-	30,249	-	-	-	30,249
Travel	28	539	659	148	1,351	-	38,733	791	384	1,175	39,908
Volunteer support	-	-	-	-	-	-	701	512	-	512	1,213
	135,096	213,286	110,190	895,018	263,248	35,334	18,000,997	1,960,812	537,230	2,498,042	20,499,039
Depreciation expense	-	-	957	-	862	(1,359)	197,329	43,671	5,317	48,988	246,317
Total expenses	\$ 135,096	213,286	111,147	895,018	264,110	33,975	18,198,326	2,004,483	542,547	2,547,030	20,745,356

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	
Total expenses	\$ 3,171,410	1,190,257	2,376,471	114,778	117,452	732,684	658,864	797,703	1,628,298	180,434	615,252	771,767	

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
Total expenses	\$ 259,310	39,027	60,114	767,032	13,480,853	1,639,086	609,653	2,248,739	15,729,592

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,747,466	8,703,481
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	246,317	259,131
Change in unamortized discount	5,746	213,123
Realized and unrealized loss on investments	(936,181)	88,955
Contributions received for long-term purposes	(3,237,205)	(8,974,077)
SBA PPP loan forgiveness	(1,274,000)	-
(Increase) decrease in assets:		
Accounts receivable	(7,339)	14,019
Pledges receivable	(647,640)	(2,586,774)
Grants receivable	(976,731)	(765,717)
Prepaid expenses	(176,654)	75,829
Inventory	55	(709)
Unemployment trust	14,709	(3,813)
Deferred compensation plan assets	(103,182)	(51,944)
Increase (decrease) in liabilities:		
Accounts payable	11,866	59,152
Accrued expenses	297,416	394,245
Deferred revenue	152,290	203,596
Net cash and cash equivalents used in activities	(3,883,067)	(2,371,503)
Cash flows from investing activities:		
Proceeds from sale of investments	545,258	1,202,543
Purchases of investments	(1,874,526)	(1,304,297)
Purchase of property and equipment	(3,149,641)	(2,092,368)
Net cash and cash equivalents used in investing activities	(4,478,909)	(2,194,122)
Cash flows from financing activities:		
Proceeds from PPP loan payable	1,999,999	1,274,000
Contributions received for long-term purposes	3,237,205	8,974,077
Net cash and cash equivalents provided by financing activities	5,237,204	10,248,077
Net change in cash and cash equivalents	(3,124,772)	5,682,452
Cash and cash equivalents, beginning of year	7,827,379	2,144,927
Cash and cash equivalents, end of year	\$ 4,702,607	7,827,379
Supplemental disclosures:		
Cash and cash equivalents	\$ 3,929,673	3,427,417
Restricted cash and cash equivalents	772,934	4,399,962
Total cash and cash equivalents	\$ 4,702,607	7,827,379
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, 2021 and 2020

DESCRIPTION OF PURPOSE

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 that is 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.

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 operations as a drop-in center. During fiscal 2021, 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 to use the Resource Center building as a 40-bed shelter, and has received funding from MaineHousing for capital improvements.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

DESCRIPTION OF PURPOSE, CONTINUED

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.

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, 2021 and 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. All significant inter-organization transactions were eliminated in consolidation.

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 to serve as board designated endowment.

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.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2021 and 2020

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. 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, and revises the effective date for nonprofit organizations to fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, nonprofit organizations will have to report all types of in-kind donations as separate line items in the statements of activities. The effective date for nonprofit organizations is for fiscal years beginning after June 15, 2021. The Organization is currently evaluating the impact of these two ASU's on its financial statements.

During the year ended June 30, 2021, the Organization adopted the provisions of ASU 2014-09 *Revenue from Contracts with Customers* (Topic 606), which establishes the principles to report useful information about the nature, timing, and uncertainty of revenue from contracts with customers.

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2021 and 2020. As of June 30, 2021 and 2020, 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 \$572,900 and \$1,037,034 at June 30, 2021 and 2020, respectively, and are included as uninsured cash at June 30, 2021 and 2020, which amounted to \$3,946,271 and \$6,839,847, respectively.

CONDITIONAL PROMISES TO GIVE

In June, 2021 the United Way of Greater Portland committed to provide funding to Preble Street and Subsidiary for the fiscal year ending June 30, 2022. 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, 2021, in accordance with FASB ASC 958-605 *Revenue Recognition-Contributions*. The amount of this conditional promise to give is \$324,718. 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, 2022.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2021</u>	<u>2020</u>
City of Portland	\$ 18,788	59,204
Maine State Housing Authority	1,200,480	291,216
Federal Emergency Management Agency	10,000	-
U.S. Department of Justice	33,866	122,388
Southern Maine Area Agency on Aging	10,828	4,007
U.S. Department Housing and Urban Development	448,247	206,260
U.S. Department of Health and Human Services	47,244	47,468
New England Coalition	8,875	1,350
State of Maine Department of Health and Human Services	140,562	205,051
U.S. Department of Veterans Affairs	306,881	417,080
Greater Portland Health	106,170	3,228
Other	2,042	-
Total grants receivable	\$ 2,333,983	1,357,252

PLEDGES RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 1,524,550	1,085,900
One year to five years	1,690,740	1,481,601
Over five years	-	-
	3,215,290	2,567,501
Less unamortized discount	(90,935)	(85,040)
	3,124,355	2,482,461
Less current portion	(1,524,550)	(1,085,900)
Non-current portion	\$ 1,599,805	1,396,561

Pledges receivable at June 30, 2021 and 2020 are considered to be fully collectible, as such no allowance is deemed necessary. For each of the years ended June 30, 2021 and 2020, the discount on future pledges was calculated using a rate of 3%.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 4,339,679	2,254,779
Certificates of deposit	-	155,808
Exchange-traded funds	1,471,059	1,010,524
Money market funds and cash equivalents	318,401	442,579
Totals	\$ 6,129,139	3,863,690

ENDOWMENT

At June 30, 2021 and 2020, Preble Street and Subsidiary had Board-designated endowment funds totaling \$2,218,611 and \$1,755,277, respectively, and donor-restricted endowment funds totaling \$2,247,532 and \$1,785,728, 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.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT, CONTINUED

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 investments 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 2021 and 2020, Preble Street and Subsidiary utilized 0% and 0% from its endowment funds, respectively.

There were no distributions made from the Board-designated or donor-restricted endowment funds for either of the years ended June 30, 2021 or 2020, 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 years ended June 30, 2021 and 2020, 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
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT, CONTINUED

Preble Street and Subsidiary's endowment balances were comprised of the following at June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 2,218,611	-	2,218,611
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	1,400,000	1,400,000
Accumulated investment gains	-	847,532	847,532
Totals	\$ 2,218,611	2,247,532	4,466,143

Changes in Preble Street and Subsidiary's endowment balances for the year ended June 30, 2021 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets beginning of year	\$ 1,755,277	1,785,728	3,541,005
Investment return (loss), net	463,334	461,804	925,138
Transfers in/(out)	-	-	-
Endowment net assets end of year	\$ 2,218,611	2,247,532	4,466,143

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
Totals	\$ 1,755,277	1,785,728	3,541,005

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

ENDOWMENT, CONTINUED

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)	-
Endowment net assets end of year	\$ 1,755,277	1,785,728	3,541,005

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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. There have been no changes in the methodologies used at June 30, 2021 and 2020.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets and liabilities as of June 30, 2021 and 2020 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, 2021 using:

	<u>Total</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 318,401	318,401
Deferred compensation assets		
Mutual funds	268,465	268,465
Mutual funds	4,339,679	4,339,679
Exchange-traded funds	1,471,059	1,471,059
Totals	\$ 6,397,604	6,397,604

Fair value measurements at June 30, 2020 using:

	<u>Total</u>	<u>Level 1</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
Totals	\$ 4,028,973	4,028,973

There were no transfers into or out of any level of assets or liabilities during the years ended June 30, 2021 and 2020.

LINES OF CREDIT

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 3.75% at June 30, 2021 and 2020, respectively). At June 30, 2021 and 2020, 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 had a maturity date of December 1, 2020. At June 30, 2020, there were no amounts outstanding of this line of credit. This line of credit was not renewed upon maturity.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

OBLIGATION UNDER OPERATING LEASE

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 \$168 to \$8,404, 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 ending</u>	<u>Total</u>
2022	\$ 171,355
2023	126,235
2024	108,473
2025	100,848
2026	100,848
Thereafter	1,386,660
<u>Total</u>	<u>\$ 1,994,419</u>

During the years ended June 30, 2021 and 2020, total rent expense incurred by Preble Street and Subsidiary related to these agreements amounted to \$224,388 and \$148,663, respectively.

PAYCHECK PROTECTION PROGRAM

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 was scheduled to mature on April 21, 2022 and bore interest at a rate of 1.00% per annum. Prepayment of the note was permitted at any time prior to maturity with no prepayment penalties.

On February 16, 2021 the Organization was granted a second PPP loan from Key National Bank in the aggregate amount of \$1,999,999. This 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.

Funds from the loans 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. The Organization intends to use the entire loan amounts for qualifying expenses. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loans, it is uncertain whether events will take place that could cause the Organization to be ineligible for forgiveness of the loans, in whole or in part. As a result, each loan is presented as "PPP Loan Payable" on the accompanying consolidated statements of financial position.

On June 17, 2021, the Organization was informed that the full amount of the first PPP loan, and related accrued interest, had been forgiven by the SBA. This released obligation is presented as "SBA PPP loan forgiveness" on the accompanying statements of activities.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

CONTINGENCIES

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, the Organization'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 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, 2021 and 2020 amounted to \$47,721 and \$33,860, 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 contributions under this plan amounted to \$64,500 and \$47,500 for the years ended June 30, 2021 and 2020, respectively. Total plan assets and the corresponding retirement plan liability of \$268,465 and \$165,283 as of June 30, 2021 and 2020, respectively, are presented as an asset and an accrued expense in the accompanying consolidated statements of financial position.

COLLECTIVE BARGAINING AGREEMENT

On July 1, 2020 the Organization entered into a Collective Bargaining Agreement (CBA) between Preble Street and Maine Services Employees Association – SEIU, Local 1989, for the period of two years. The CBA 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 CBA 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, the agreement was amended to provide for all covered employees to 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.

DONATED SERVICES AND GOODS

During the years ended June 30, 2021 and 2020, certain goods and professional services were donated to Preble Street and Subsidiary. The estimated fair values of these goods and professional services totaling \$1,647,069 and \$2,200,212 for 2021 and 2020, respectively, have been reflected in the accompanying consolidated financial statements as public support with a like amount included in expenses as donated services and goods, food commodities, and food and program expenses.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

DONATED SERVICES AND GOODS, CONTINUED

The value of nonprofessional, donated services is not reflected in the accompanying consolidated 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 \$10,270 in 2021 and \$363,358 in 2020.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

At June 30, 2021 and 2020 approximately 56% and 34%, 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.

BENEFICIAL INTEREST IN PERPETUAL TRUST

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. 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 consolidated statement of activities for the year ended June 30, 2020.

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>2021</u>	<u>2020</u>
Endowment funds held in perpetuity with income restricted for programs	\$ 1,400,000	1,400,000
Totals	\$ 1,400,000	1,400,000

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

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

Endowment funds with income restricted to programs	\$ 847,532	385,728
Totals	\$ 847,532	385,728

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

Maine Hunger Initiative	\$ 50,000	65,000
38 Preble Street and Subsidiary Building and Operating Fund	406,235	322,612
Homeless voices for justice	-	21,742
Health services	-	21,742
Capital campaign	5,515,721	6,769,728
Capital campaign - PP&E	5,242,008	2,092,366
Other	-	3,499
Totals	\$ 11,213,964	9,296,689
Total net assets with donor restrictions	\$ 13,461,496	11,082,417

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>2021</u>	<u>2020</u>
Board-designated quasi endowment	\$ 2,218,611	1,755,277
Totals	\$ 2,218,611	1,755,277

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

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>2021</u>	<u>2020</u>
38 Preble Street Building and Operating fund	\$ -	14
Admin funds	3,498	-
Anti-trafficking	150,750	-
Capital campaign	189,234	53,093
Community advocacy	10,250	-
Homeless voices for justice	21,835	-
Florence House	62,148	-
Food programs	514,112	-
Health services	87,042	-
Maine hunger initiative	80,125	-
Resource Center	19,556	-
Teen Center	121,877	4,726
Joe Kreisler shelter	116,377	31,061
Other	26,749	10,283
Totals	\$ 1,403,553	99,177

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 consolidated 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, 2021 and 2020, these stipends totaled \$12,435 and \$12,240, respectively.

LIQUIDITY AND AVAILABILITY OF RESOURCES

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,929,673	3,427,417
Accounts receivable	32,162	24,823
Grants receivable	2,333,983	1,357,252
Total	\$ 6,295,818	4,809,492

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

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 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 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.

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 committed lines of credit 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.

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.

LIMITED LIABILITY COMPANY

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, and the remainder of the purchase price, including commissions and fees, being 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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2021 and 2020

REVENUE RECOGNITION

During the years ended June 30, 2021 and 2020, the Organization had contract revenue consisting of the following:

	<u>2021</u>	<u>2020</u>
Fee for service	\$ 161,984	133,753
Rental income	12,435	12,240
<u>Total contract revenue</u>	<u>\$ 174,419</u>	<u>145,993</u>

To best match the timing of the transfer of goods or services, the Organization recognizes revenue from contracts with customers at the time services are provided for fee for service income and monthly for rental income. There are no significant warranties of return, refund, or discount obligations related to any contracts with customers. For each of the years ended June 30, 2021 and 2020, the greatest economic factor effecting contract revenue has been the COVID-19 pandemic.

Contract transaction prices, such as admissions and membership fees, include management's judgment of variable consideration, which includes incentives, and rebates. Based on available information, management must include an estimate of any variable consideration, if applicable, when determining the contract transaction price.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through March 24, 2022, which is the date these financial statements were available to be issued.

On March 9, 2022, the Organization purchased property located at 75 Darling Avenue with a total value of \$4,100,000. In conjunction with this property purchase, the Organization entered into a ten-year, \$2,000,000 mortgage. This property will be the new site of Preble Street's Food Security Hub.

In addition, subsequent to year end, construction has begun on the property held at 5 Portland Street to create a new 24-hour, 40-bed, service-inclusive, and trauma-informed Wellness Shelter grounded in social work and medical best practices.