



PREBLE STREET AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

Consolidated Statements of Financial Position	1
Consolidated Statements of Activities	2
Consolidated Statements of Functional Expenses	3
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Preble Street and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Preble Street and Subsidiary (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Preble Street and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Preble Street and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Preble Street and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Preble Street and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors

March 22, 2023

Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, 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 cursive script, reading "Raymond Hudson Ouellette".

March 22, 2023

South Portland, Maine

PREBLE STREET AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,892,482	3,929,673
Accounts receivable	144,362	32,162
Pledges receivable, current portion	1,045,853	1,524,550
Grants receivable	2,588,555	2,333,983
Prepaid expenses	186,935	288,338
Inventory	1,441	1,771
Total current assets	7,859,628	8,110,477
Investments:		
Investments	4,756,189	6,129,139
Investments - Genesis fund	106,000	-
Beneficial interest in perpetual trust	-	-
Total investments	4,862,189	6,129,139
Property and equipment:		
Land	1,707,077	1,031,974
Buildings and improvements	16,423,329	8,066,442
Equipment	905,261	785,825
Vehicles	139,733	25,500
Construction in progress	2,593,756	4,675,524
	21,769,156	14,585,265
Less accumulated depreciation	(4,745,056)	(4,330,914)
Net property and equipment	17,024,100	10,254,351
Other assets:		
Restricted cash and cash equivalents	535,101	772,934
Pledges receivable, non-current, net	996,939	1,599,805
Unemployment trust	34,933	33,595
Deferred compensation plan assets (457b)	308,999	268,465
Total other assets	1,875,972	2,674,799
Total assets	\$ 31,621,889	27,168,766
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,104,742	271,746
Accrued expenses	887,000	1,265,982
Deferred revenue	2,420,553	355,886
Note payable, current portion	42,721	-
Total current liabilities	4,455,016	1,893,614
Non-current Liabilities:		
PPP loan payable	1,999,999	1,999,999
Note payable, net of current portion	1,945,266	-
Total non-current liabilities	3,945,265	1,999,999
Total liabilities	8,400,281	3,893,613
Net assets:		
Without donor restrictions:		
Undesignated	(2,238,926)	2,582,703
Board-designated investments	1,356,278	2,218,611
Investment in property and equipment	8,348,411	5,012,343
Total without donor restrictions	7,465,763	9,813,657
With donor restrictions	15,755,845	13,461,496
Total net assets	23,221,608	23,275,153
Total liabilities and net assets	\$ 31,621,889	27,168,766

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Consolidated Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support:						
Government grant income	\$ 12,597,502	-	12,597,502	12,124,745	-	12,124,745
Fee for service income	480,860	-	480,860	161,984	-	161,984
Contributions	3,728,932	4,624,011	8,352,943	3,591,895	3,237,205	6,829,100
Contributed nonfinancial assets - services	57,302	-	57,302	105,107	-	105,107
Contributed nonfinancial assets - goods	1,787,872	-	1,787,872	1,541,962	-	1,541,962
United Way	403,360	-	403,360	418,802	-	418,802
Rental income	12,240	-	12,240	12,435	-	12,435
SBA PPP Loan forgiveness	-	-	-	1,274,000	-	1,274,000
Other income	20,862	-	20,862	-	-	-
Investment income (loss), net	(377,498)	(387,612)	(765,110)	479,260	545,427	1,024,687
Total revenue and support	18,711,432	4,236,399	22,947,831	19,710,190	3,782,632	23,492,822
Net assets released from restrictions:						
Restrictions satisfied by time or expenditure	1,942,050	(1,942,050)	-	1,403,553	(1,403,553)	-
Total net assets released from restrictions	1,942,050	(1,942,050)	-	1,403,553	(1,403,553)	-
Total revenue, support, and reclassifications	20,653,482	2,294,349	22,947,831	21,113,743	2,379,079	23,492,822
Program expenses:						
Food programs	4,144,674	-	4,144,674	3,297,190	-	3,297,190
Rapid rehousing	540,491	-	540,491	454,002	-	454,002
Veterans services	4,116,567	-	4,116,567	4,452,868	-	4,452,868
Maine hunger initiative	212,325	-	212,325	150,425	-	150,425
Community advocacy	861	-	861	28,515	-	28,515
Teen center	956,974	-	956,974	951,909	-	951,909
Joe Kreisler teen shelter	869,145	-	869,145	777,209	-	777,209
Logan place	936,706	-	936,706	1,055,602	-	1,055,602
Florence house	2,275,173	-	2,275,173	2,154,342	-	2,154,342
Anti-trafficking	867,126	-	867,126	898,672	-	898,672
Huston commons	954,313	-	954,313	1,017,774	-	1,017,774
Health services	679,069	-	679,069	385,434	-	385,434
Street outreach collaborative	715,759	-	715,759	592,871	-	592,871
Quarantine shelter	-	-	-	328,881	-	328,881
Wellness shelter	-	-	-	135,096	-	135,096
CCMS Hotel shelter	89,815	-	89,815	-	-	-
Elena's Way	89,437	-	89,437	-	-	-
Lewiston shelter	682,704	-	682,704	213,286	-	213,286
Homeless voices for justice	123,415	-	123,415	111,147	-	111,147
COVID hotel shelter	952,311	-	952,311	895,018	-	895,018
TS Housing	523,249	-	523,249	264,110	-	264,110
Other programs	312,491	-	312,491	33,975	-	33,975
Total program expenses	20,042,605	-	20,042,605	18,198,326	-	18,198,326
Supporting services:						
Administration	2,318,770	-	2,318,770	2,004,483	-	2,004,483
Fundraising	640,001	-	640,001	542,547	-	542,547
Total supporting services	2,958,771	-	2,958,771	2,547,030	-	2,547,030
Total expenses	23,001,376	-	23,001,376	20,745,356	-	20,745,356
Change in net assets	(2,347,894)	2,294,349	(53,545)	368,387	2,379,079	2,747,466
Net assets, beginning of year	9,813,657	13,461,496	23,275,153	9,445,270	11,082,417	20,527,687
Net assets, end of year	\$ 7,465,763	15,755,845	23,221,608	9,813,657	13,461,496	23,275,153

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022
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	CCMS Shelter
Salaries	\$ 1,041,730	287,168	1,434,216	85,315	-	622,861	605,310	711,515	1,617,271	453,057	738,614	348,054	274,259	76,961
Payroll taxes and employee benefits	242,678	70,406	436,639	16,755	-	144,344	155,811	154,562	373,274	106,033	155,692	77,734	60,516	8,350
Contributed nonfinancial assets - goods	1,428,271	-	30,000	-	-	766	-	1,954	2,210	1,950	250	120	321,351	-
Contributed nonfinancial assets - services	-	-	5,497	4,788	-	4,336	-	9,570	3,279	11,603	4,395	6,217	7,617	-
Food	467,726	-	-	-	-	-	-	-	-	8	-	-	-	12
Insurance	8,269	2,566	13,666	712	-	4,913	3,168	4,670	10,733	3,990	4,670	1,768	1,713	-
Occupancy	562,318	11,405	91,837	4,788	-	45,216	42,955	11,889	171,379	87,451	9,723	44,026	14,202	847
Office supplies	3,015	1,744	7,116	29	-	2,973	180	1,083	2,892	2,578	1,227	297	934	108
Other	23,849	100	410	35	-	112	265	105	247	393	105	73	61	-
Outside services	202	63	334	17	-	120	77	114	262	7,473	114	43	42	-
Postage	913	281	1,597	80	39	548	346	526	1,160	444	526	190	1,151	-
Printing	66	56	211	49	-	58	48	45	108	109	71	81	83	-
Professional fees	7,523	1,359	7,237	3,877	-	2,601	1,678	2,473	5,683	3,147	2,473	936	907	-
Program expenses	158,406	126,994	1,918,324	8,229	43	19,298	1,016	7,330	12,222	65,819	4,771	40,937	12,976	3,188
Staff development	9,577	4,792	15,792	992	5	11,161	4,443	6,089	15,076	11,441	4,333	5,025	3,811	310
Subcontracts	-	-	20,085	75,000	-	32,000	-	-	-	7,965	-	101,090	-	-
Technology	46,827	18,536	79,013	3,958	-	24,136	18,245	23,630	53,696	29,718	26,130	14,355	11,038	12
Training/advocacy stipend	-	-	-	-	-	18,546	168	-	50	120	-	-	-	-
Travel	50,975	7,497	29,225	4,069	774	71	9	92	924	9,824	160	1,987	1,239	27
Volunteer support	7,288	122	648	34	-	2,064	150	221	509	189	221	84	81	-
	4,059,633	533,089	4,091,847	208,727	861	936,124	833,869	935,868	2,270,975	803,312	953,475	643,017	711,981	89,815
Depreciation expense	85,041	7,402	24,720	3,598	-	20,850	35,276	838	4,198	63,814	838	36,052	3,778	-
Total expenses	\$ 4,144,674	540,491	4,116,567	212,325	861	956,974	869,145	936,706	2,275,173	867,126	954,313	679,069	715,759	89,815

PREBLE STREET AND SUBSIDIARY
Consolidated Statement of Functional Expenses, Continued
Year Ended June 30, 2022

	Program services							Supporting services			Total expenses
	Elena's Way	Lewiston Shelter	Homeless Voices for Justice	COVID Hotel Shelter	TS Housing	Other Programs	Total	Administration	Fundraising	Total	
Salaries	\$ 33,249	449,953	74,679	802,902	253,198	205,613	10,115,925	1,398,837	395,135	1,793,972	11,909,897
Payroll taxes and employee benefits	8,025	37,991	10,738	78,075	69,736	57,229	2,264,588	425,514	107,087	532,601	2,797,189
Contributed nonfinancial assets - goods	-	-	-	-	-	-	1,786,872	1,000	-	1,000	1,787,872
Contributed nonfinancial assets - services	-	-	-	-	-	-	57,302	-	-	-	57,302
Food	-	17,926	-	75	38	-	485,785	7	1	8	485,793
Insurance	-	-	712	-	3,567	2,910	68,027	7,979	2,222	10,201	78,228
Occupancy	12,657	15,555	4,823	40,171	10,600	9,100	1,190,942	82,890	12,887	95,777	1,286,719
Office supplies	27	260	30	1,360	49	183	26,085	7,002	766	7,768	33,853
Other	145	-	35	-	194	66	26,195	35,232	18,595	53,827	80,022
Outside services	-	-	3,499	-	87	71	12,518	3,354	54	3,408	15,926
Postage	-	-	79	55	366	290	8,591	10,229	10,776	21,005	29,596
Printing	-	-	12	23	40	16	1,076	47,547	36,281	83,828	84,904
Professional fees	-	-	3,877	-	1,889	1,541	47,201	78,117	4,727	82,844	130,045
Program expenses	40	149,746	1,269	25,711	145,037	9,953	2,711,309	13,869	1,440	15,309	2,726,618
Staff development	76	540	992	3,468	4,710	2,327	104,960	25,747	4,651	30,398	135,358
Subcontracts	-	10,455	-	-	-	-	246,595	-	-	-	246,595
Technology	154	122	3,924	430	25,826	16,033	395,783	102,538	33,974	136,512	532,295
Training/advocacy stipend	-	-	10,945	-	-	-	29,829	2,960	215	3,175	33,004
Travel	-	156	4,169	41	1,777	1,173	114,189	5,810	962	6,772	120,961
Volunteer support	-	-	34	-	169	138	11,952	2,741	365	3,106	15,058
	54,373	682,704	119,817	952,311	517,283	306,643	19,705,724	2,251,373	630,138	2,881,511	22,587,235
Depreciation expense	35,064	-	3,598	-	5,966	5,848	336,881	67,397	9,863	77,260	414,141
Total expenses	\$ 89,437	682,704	123,415	952,311	523,249	312,491	20,042,605	2,318,770	640,001	2,958,771	23,001,376

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
Contributed nonfinancial assets - goods	1,370,785	-	1,114	-	-	3,514	-	4,012	4,647	150	1,176	-	156,174	-
Contributed nonfinancial assets - 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			Total expenses
	Wellness Shelter	Lewiston Shelter	Homeless Voices for Justice	COVID Hotel Shelter	TS Housing	Other Programs	Total	Administration	Fundraising	Total	
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
Contributed nonfinancial assets - goods	-	-	-	-	-	-	1,541,572	390	-	390	1,541,962
Contributed nonfinancial assets - 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
Depreciation expense	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
	-	-	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 Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (53,545)	2,747,466
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	414,141	246,317
Change in unamortized discount	(52,389)	5,746
Realized and unrealized loss on investments	990,275	(936,181)
Contributions received for long-term purposes	(4,624,011)	(3,237,205)
SBA PPP loan forgiveness	-	(1,274,000)
(Increase) decrease in assets:		
Accounts receivable	(112,200)	(7,339)
Pledges receivable	1,133,952	(647,640)
Grants receivable	(254,572)	(976,731)
Prepaid expenses	101,403	(176,654)
Inventory	330	55
Unemployment trust	(1,338)	14,709
Deferred compensation plan assets	(40,534)	(103,182)
Increase (decrease) in liabilities:		
Accounts payable	832,996	11,866
Accrued expenses	(378,982)	297,416
Deferred revenue	2,064,667	152,290
Net cash and cash equivalents provided by (used in) activities	20,193	(3,883,067)
Cash flows from investing activities:		
Proceeds from sale of investments	606,000	545,258
Purchases of investments	(329,325)	(1,874,526)
Purchase of property and equipment	(5,183,890)	(3,149,641)
Net cash and cash equivalents used in investing activities	(4,907,215)	(4,478,909)
Cash flows from financing activities:		
Proceeds from PPP loan payable	-	1,999,999
Payments on notes payable	(12,013)	-
Contributions received for long-term purposes	4,624,011	3,237,205
Net cash and cash equivalents provided by financing activities	4,611,998	5,237,204
Net change in cash and cash equivalents	(275,024)	(3,124,772)
Cash and cash equivalents, beginning of year	4,702,607	7,827,379
Cash and cash equivalents, end of year	\$ 4,427,583	4,702,607
Supplemental disclosures:		
Cash and cash equivalents	\$ 3,892,482	3,929,673
Restricted cash and cash equivalents	535,101	772,934
Total cash and cash equivalents	\$ 4,427,583	4,702,607
Cash paid during the year for interest	\$ 20,096	-
Non-cash financing of equipment purchase	2,000,000	-

See accompanying notes to financial statements.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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.

Elena's Way

During fiscal year 2022, the Organization undertook the renovation of the former Resource Center and converted it into Elena's Way, a low-barrier, 24-hour shelter for up to 40 clients, with staff and services on site, to ensure warmth, safety, and intensive services to up to 40 people of all genders experiencing homelessness and complex physical and behavioral health needs who cannot access any other shelter. The shelter opened in the Fall of 2022.

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:

Food Security Hub: Operates 365 days a year at the 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.

Logan Place

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

Florence House

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

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

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

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

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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.

Health Services

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.

Rapid Rehousing

The Rapid Re-Housing (RRH) program connects people to permanent housing through an evidence-based intervention that uses individualized casework services and financial assistance to help individuals and families experiencing homelessness return to housing quickly and remain in housing.

RRH is a short-term, intensive, housing-focused intervention with three components: housing identification, move-in support, and rent assistance. Participants work with their Preble Street caseworker to create an individualized housing plan with the goal of obtaining a connection to permanent housing as quickly as possible.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

DESCRIPTION OF PURPOSE, CONTINUED

Street Outreach Collaborative

The Street Outreach Collaborative is designed to provide nutritious meals on a daily basis to those experiencing unsheltered homelessness in a safe, socially distanced fashion; to target this population with casework services aimed at increasing shelter and housing access through referral and connection to available resources; and to establish and promote intentional community collaborations between Preble Street and other agencies to better meet client needs.

CCMS Shelter, Lewiston Shelter, and Quarantine & Isolation Shelter

Community Case Management Services (CCMS) is a temporary program funded through Maine Housing to provide on-site services to individuals accessing emergency shelter services in a South Portland area hotel due to limited shelter capacity as a result of the COVID-19 pandemic. The program is designed to support individuals accessing emergency shelter through the provision of light-touch case management services and on-site social service support for crisis de-escalation and milieu management at the hotel. The mission of Community Case Management Services is to mitigate barriers individuals face in navigating and accessing services as well as providing additional on-site support to reduce calls for service at the hotel. CCMS officially opened on-site to begin providing services at the end of February 2022.

Lewiston Shelter: In May 2021, Preble Street assumed operations of the 44-bed Quarantine and Temporary Wellness Shelters in Lewiston, providing crucial healthcare resources, shelter, and safety for people experiencing homelessness and people who were housed but living in extremely crowded housing, group home residents and their caregivers, and New Mainers. Preble Street ended oversight of that shelter in December 2021.

Quarantine & Isolation Shelter/Temporary Emergency Shelter: The Quarantine and Isolation Shelter, in operation from May 2020 through March 2022 was a program funded by Maine State Housing Authority in response to the COVID-19 pandemic. The Quarantine & Isolation Shelter offered clients a safe place to quarantine or await a test result without transmitting the virus to those in their immediate vicinity. Eligible populations included people experiencing homelessness, people who lived in densely populated housing, first responders, and residents of congregate care facilities. From May 2021 to March 2022, this shelter was co-located with the Temporary Emergency Shelter, which provided safe non-congregate shelter to individuals experiencing homelessness who could not access congregate shelter due to capacity or other issues.

Teen Shelter Services

Offering safety and services 24 hours a day, 365 days a year for 250 homeless and runaway youth annually, social work staff meet the emergency and long-term needs of young people ages 12-24 through a comprehensive program model that includes:

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 (with four additional overflow beds) across the street from the Teen Center, to provide safety and support services 8pm-8am.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

DESCRIPTION OF PURPOSE, CONTINUED

Teen Housing and Outreach Services

Housing: Preble Street Teen Housing programs provide youth and young adults experiencing homelessness with supportive services and a safe place to live as they determine what is needed to sustain housing independently. Housing services include the First Place Transitional Living Program, a long-term supportive housing model; and Transitional Housing and Rapid ReHousing, which work with youth and young adults 18-24 to address immediate housing instability by connecting youth to long-term housing and supportive services.

Outreach: Preble Street Teen Outreach programs include Mobile Diversion and Navigation, which provides intensive, short-term services to rapidly resolve episodes of homelessness and the McKinney-Vento Outreach Program that works directly with schools to increase their internal capacity to identify and provide appropriate resources for eligible students and families.

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 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.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 consolidated 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, or food, as well as restrictions for health insurance related items.

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

Inventory - Inventory consists of purchased food, beverages, and supplies and is stated at fair value as of the date of donation, using the first-in-first-out method. For purchased goods, inventory is stated at the lower of cost or market.

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

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

Grants and Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date the contribution is made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fundraising activity.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets with donor restrictions, to be used to acquire or construct property and equipment, are reported as revenues of the net assets with donor restrictions class and are temporary in nature; the restrictions are considered to be released at the time such long-lived assets are placed in service.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated 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.

New Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (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 consolidated financial statements. Recently, the FASB issued ASU No. 2020-05, which delayed the implementation date of ASU 2016-02, and revised the effective date for nonprofit organizations to fiscal years beginning after December 15, 2021. The Organization is currently assessing the impact this ASU will have on its financial statements.

During the year ended June 30, 2022, Preble Street and Subsidiary adopted the provisions of ASU No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, nonprofit organizations are required to separately present contributed nonfinancial assets (in-kind contributions) as a separate line item in the statement of activities. They are also required to disaggregate by category and present qualitative information on each type of contributed nonfinancial asset in the footnotes.

In addition, Preble Street and Subsidiary also adopted the provisions of 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 in-kind donations as a separate line item in the consolidated statements of activities.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, Preble Street and Subsidiary's accounts at each 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 \$531,632 and \$572,900 at June 30, 2022 and 2021, respectively, and are included as uninsured cash at June 30, 2022 and 2021, which amounted to \$3,504,080 and \$3,946,271, respectively.

CONDITIONAL PROMISES TO GIVE

During the years ended June 30, 2022 and 2021, the Organization was awarded several grants, subject to certain conditions, to provide funding in a non-exchange fashion in support of the Organization. Such conditionally promised funding amounted to \$32,113,229 and \$22,585,483 for the years ended June 30, 2022 and 2021, respectively. In accordance with FASB ASC 958-605-25 *Revenue Recognition-Contributions*, contributions subject to conditions are not recognized as revenue until the related conditions have been met. For the above noted grants, conditions are considered to have been fully satisfied when qualifying expenditures have been incurred. As of June 30, 2022 and 2021, total conditional contributions yet to be recognized as revenue amounted to \$12,401,641 and \$6,119,658, respectively

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2022</u>	<u>2021</u>
City of Portland	\$ 28,334	18,788
Maine State Housing Authority	315,915	1,200,480
Federal Emergency Management Agency	-	10,000
U.S. Department of Justice	50,698	33,866
Southern Maine Area Agency on Aging	6,024	10,828
U.S. Department Housing and Urban Development	730,867	448,247
U.S. Department of Health and Human Services	23,252	47,244
New England Coalition	-	8,875
State of Maine Department of Health and Human Services	426,402	140,562
U.S. Department of Veterans Affairs	395,704	306,881
Greater Portland Health	110,672	106,170
Emergency Food and Shelter Program	472,624	106,170
Other	28,063	2,042
Total grants receivable	\$ 2,588,555	2,333,983

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

PLEDGES RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 1,045,853	1,524,550
One year to five years	1,035,485	1,690,740
Over five years	-	-
	2,081,338	3,215,290
<u>Less unamortized discount</u>	<u>(38,546)</u>	<u>(90,935)</u>
	2,042,792	3,124,355
<u>Less current portion</u>	<u>(1,045,853)</u>	<u>(1,524,550)</u>
 <u>Non-current portion</u>	 <u>\$ 996,939</u>	 <u>1,599,805</u>

Pledges receivable at June 30, 2022 and 2021 are considered to be fully collectible, and as a result, no allowance is deemed necessary. For each of the years ended June 30, 2022 and 2021, the discount on future pledges was calculated using a rate of 3%.

INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 3,326,306	4,339,679
Exchange-traded funds	1,252,597	1,471,059
Money market funds and cash equivalents	177,286	318,401
 <u>Totals</u>	 <u>\$ 4,756,189</u>	 <u>6,129,139</u>

GENESIS FUND INVESTMENT

During 2022, Preble Street and Subsidiary transferred assets to the Genesis Fund (the Foundation). The Foundation is a nonprofit that offers financing to nonprofit organizations throughout Northern New England to develop affordable housing and community facility projects. This is done through various organizations providing funds to the Foundation to be held as an investment. The funds contributed earn interest at a fixed rate; however, they must be kept as an investment for a set period of time, typically one year.

In February, 2022, Preble Street and Subsidiary transferred \$106,000 to be held by the Foundation for a period of one year. This investment will earn a 2% simple interest rate.

The aggregate amount recognized in the statements of consolidated financial position as a "investments - Genesis fund" at June 30, 2022 amounted to \$106,000.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

ENDOWMENT

At June 30, 2022 and 2021, Preble Street and Subsidiary had Board-designated endowment funds totaling \$1,356,278 and \$2,218,611, respectively, and donor-restricted endowment funds totaling \$1,919,230 and \$2,247,532, 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.

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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

ENDOWMENT, CONTINUED

- This is a maximum amount and Preble Street and Subsidiary can elect to spend less should it choose to do so. In fiscal years 2022 and 2021, Preble Street and Subsidiary utilized \$0 and \$0 from its donor-restricted endowment, respectively.

There were distributions of \$606,000 and \$0 made from the Board-designated funds for the years ended June 30, 2022 or 2021, 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, 2022 and 2021, the Organization did not have any underwater endowment funds.

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

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

Preble Street and Subsidiary's endowment balances were comprised of the following at June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Board-designated	\$ 1,356,278	-	1,356,278
Donor-restricted endowments:			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	1,400,000	1,400,000
Accumulated investment gains	-	519,230	519,230
Totals	\$ 1,356,278	1,919,230	3,275,508

Changes in Preble Street and Subsidiary's endowment balances for the year ended June 30, 2022 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Endowment net assets beginning of year	\$ 2,218,611	2,247,532	4,466,143
Investment return (loss), net	(256,333)	(328,302)	(584,635)
Transfers in/(out)	(606,000)	-	(606,000)
Endowment net assets end of year	\$ 1,356,278	1,919,230	3,275,508

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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

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, 2022 and 2021.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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 and Subsidiary management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below segregates all financial assets and liabilities as of June 30, 2022 and 2021 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, 2022 using:

	<u>Total</u>	<u>Level 1</u>
Cash and cash equivalents	\$ 177,286	177,286
Deferred compensation assets		
Mutual funds	308,999	308,999
Mutual funds	3,326,306	3,326,306
Exchange-traded funds	1,252,597	1,252,597
Totals	\$ 5,065,188	5,065,188

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

There were no transfers into or out of any level of assets or liabilities during the years ended June 30, 2022 and 2021.

LINE 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 5.25% and 3.75% at June 30, 2022 and 2021, respectively). At June 30, 2022 and 2021, there were no amounts outstanding on this line of credit.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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>
2023	\$ 173,128
2024	109,721
2025	100,848
2026	100,848
2027	100,848
<u>Thereafter</u>	<u>1,285,812</u>
 <u>Total</u>	 <u>\$ 1,871,205</u>

During the years ended June 30, 2022 and 2021, total rent expense incurred by Preble Street and Subsidiary related to these agreements amounted to \$561,167 and \$224,388, respectively.

NOTES PAYABLE

On March 9, 2022, the Organization purchased property located at 75 Darling Avenue with a total value of \$4,100,000. This property will be the new site of Preble Street's Food Security Hub. In conjunction with this property purchase, the Organization entered into a ten-year, \$2,000,000 mortgage. The loan bears interest at a rate of 5.01% and requires monthly payments of principal and interest of \$11,777.

The following summarizes the Organization's debt maturities for the years ending June 30:

2023	\$ 42,721
2024	44,911
2025	47,214
2026	49,634
2027	52,179
<u>Thereafter</u>	<u>1,751,328</u>
 <u>Total</u>	 <u>\$ 1,987,987</u>

WELLNESS SHELTER

During fiscal year 2022, the Organization has begun construction on the property it holds 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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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 conjunction with the Small Business Administration (SBA) 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. Funds from the loan could 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 used the entire loan amounts for qualifying expenses. Under the terms of the PPP, certain amounts of the loans could be forgiven if they are used for qualifying expenses as described in the CARES Act. On June 17, 2021, the Organization was informed that the full amount of the loan, and related accrued interest, had been forgiven by the SBA. This released obligation is presented as "SBA PPP loan forgiveness" on the accompanying statement of activities for the year ended June 30, 2021.

On February 16, 2021, the Organization applied for and was granted a second PPP loan from Key National Bank, in conjunction with the SBA, in the aggregate amount of \$1,999,999. This loan, which was in the form of a note dated February 16, 2021 was scheduled to mature on February 16, 2026 and bore interest at 1.00% per annum, payable in 50 monthly payments of principal and interest commencing January 16, 2022. Consistent with the first loan, funds could 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 used the entire proceeds of this loan for qualifying expenses as well. 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, the outstanding balance for the second PPP loan is presented as "PPP Loan Payable" on the accompanying consolidated statement of financial position at June 30, 2022.

Subsequent to year-end, on July 8, 2022, the Organization was informed that the full amount of the second PPP loan, and related accrued interest, had been forgiven by the SBA.

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, 2022 and 2021 amounted to \$57,947 and \$47,721, 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 \$67,500 and \$64,500 for the years ended June 30, 2022 and 2021, respectively. Total plan assets and the corresponding retirement plan liability of \$308,999 and \$268,465 as of June 30, 2022 and 2021, respectively, are presented as an asset and an accrued expense in the accompanying consolidated statements of financial position.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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.

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 was in effect through April 15, 2022.

A new agreement was entered into for the period of April 15, 2022 through June 30, 2024. This CBA calls for all covered employees to receive a wage increase of 5% over the prior year or be brought to the minimum starting rate for their classification, whichever is greater, during the first year. During the second year, the CBA calls for all covered employees to receive a wage increase of 3.5% over the prior year.

CONTRIBUTED NONFINANCIAL ASSETS

During the years ended June 30, 2022 and 2021, certain goods and professional services were donated to Preble Street and Subsidiary. The estimated fair values of these goods and professional services totaling \$1,845,174 and \$1,647,069 for 2022 and 2021, 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. All contributed services were utilized to further the mission of the Organization. In valuing and reporting these services, the Organization estimated fair value in the consolidated financial statements based on current rates for similar services or goods.

The following is a breakout of the contributed net assets at December 31:

	<u>2022</u>	<u>2021</u>
Services:		
Intern hours	\$ 57,302	105,107
Goods:		
Food	1,428,271	1,370,785
Clothing and other miscellaneous items	359,601	171,177
Total net assets released from restriction	\$ 1,845,174	1,647,069

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

CONTRIBUTED NONFINANCIAL ASSETS, 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 2022 and \$10,270 in 2021.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

At June 30, 2022 and 2021, approximately 60% and 56%, respectively, of Preble Street and Subsidiary's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street and Subsidiary's ability to fulfill its mission.

As detailed previously, Preble Street and Subsidiary invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated 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>2022</u>	<u>2021</u>
Endowment funds held in perpetuity with income restricted for programs	\$ 1,400,000	1,400,000
Totals	\$ 1,400,000	1,400,000

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

Endowment funds with income restricted to programs	\$ 519,230	847,532
Totals	\$ 519,230	847,532

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES, CONTINUED

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

Maine Hunger Initiative	\$ -	50,000
38 Preble Street Building and Operating Fund	346,925	406,235
Capital campaign - FSH	294,591	-
Capital campaign	7,007,397	5,515,721
Capital campaign - PP&E	6,187,702	5,242,008
Totals	\$ 13,836,615	11,213,964
Total net assets with donor restrictions	\$ 15,755,845	13,461,496

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>2022</u>	<u>2021</u>
Board-designated quasi endowment	\$ 1,356,278	2,218,611
Totals	\$ 1,356,278	2,218,611

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>2022</u>	<u>2021</u>
Street outreach collaborative	\$ 39,050	-
Admin funds	-	3,498
Anti-trafficking	1,804	150,750
Capital campaign	-	189,234
Community advocacy	51,070	10,250
Homeless voices for justice	5,062	21,835
Florence House	112,307	62,148
Food programs	1,183,503	514,112
Health services	140,245	87,042
Maine hunger initiative	180,043	80,125
Resource Center	-	19,556
Teen Center	94,055	121,877
Joe Kreisler shelter	90,065	116,377
Other	44,846	26,749
Totals	\$ 1,942,050	1,403,553

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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, 2022 and 2021, these stipends totaled \$12,240 and \$12,435, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,892,482	3,929,673
Accounts receivable	144,362	32,162
Grants receivable	2,588,555	2,333,983
Total	\$ 6,625,399	6,295,818

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. 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 "Line 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 consolidated 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.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

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.

REVENUE RECOGNITION

During the years ended June 30, 2022 and 2021, the Organization had contract revenue consisting of the following:

	<u>2022</u>	<u>2021</u>
Fee for service	\$ 480,860	161,984
Rental income	12,240	12,435
Total contract revenue	\$ 493,100	174,419

At June 30, 2022, the Organization had contract assets consisting of accounts receivables in the amount of \$250, pertaining to rental income. For each of the years ended June 30, 2022 and 2021, goods and services provided to customers included access to services, and access to rental units. To best match the timing of the transfer of goods or services, the Organization recognizes revenue from contracts with customers when performance obligations are satisfied, which is at the time services are provided for fee for service income and monthly for rental income. All prices are fixed and there are no financing terms. 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, 2022 and 2021, the greatest economic factor effecting contract revenue has been the COVID-19 pandemic.

Contract transaction prices, such as fees for services and rental rates, 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. There were no such variable considerations in determining contract transaction prices.

SUBSEQUENT EVENTS

In accordance with FASB ASC 855-10 *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through March 22, 2023, which is the date these consolidated financial statements were available to be issued.

Subsequent to year-end, on July 8, 2022, the Organization was informed that the full amount of the second PPP loan, and related accrued interest, had been forgiven by the SBA.

PREBLE STREET AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued
June 30, 2022 and 2021

SUBSEQUENT EVENTS, CONTINUED

During fiscal year 2022, the Organization undertook the renovation of the former Resource Center and converted it into Elena's Way, a low-barrier, 24-hour shelter for up to 40 clients, with staff and services on site, to ensure warmth, safety, and intensive services to up to 40 people of all genders experiencing homelessness and complex physical and behavioral health needs who cannot access any other shelter. The shelter opened in the Fall of 2022.

In the fall of 2022, the Organization opened the Recuperative Care Program (RCP), which is a 15-bed, post-acute care facility for people experiencing homelessness who cannot recover from an illness or injury on the street or in a shelter but do not require hospital-level care. With 24 hours of on-site medical care provided by Greater Portland Health and casework and support services provided by Preble Street, the RCP provides an opportunity for individuals who lack stable housing to recover in a safe environment while accessing needed medical care and other supportive services.