

PREBLE STREET

Financial Statements

June 30, 2009 and 2008



Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Directors of
Preble Street

We have audited the accompanying statements of financial position of Preble Street as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Preble Street's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preble Street as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010 on our consideration of Preble Street's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A handwritten signature in cursive script that reads 'Runyon Kersteen Ouellette'.

February 17, 2010
South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash	\$ 574,985	383,672
Investments	916,889	1,028,432
Accounts receivable	11,284	58,946
Pledges receivable, current portion	800,000	413,903
Grants receivable	522,496	451,380
Prepaid expenses	44,853	47,633
Inventory	23,594	20,164
Total current assets	2,894,101	2,404,130
Property and equipment:		
Land	274,380	274,380
Buildings and improvements	4,884,544	4,825,114
Equipment	535,783	478,226
Vehicles	25,867	25,867
	5,720,574	5,603,587
Less accumulated depreciation	(1,487,425)	(1,308,475)
Net property and equipment	4,233,149	4,295,112
Other assets:		
Pledges receivable, noncurrent, net	869,131	493,725
Beneficial interest in perpetual trust	106,133	130,024
Total other assets	975,264	623,749
Total assets	\$ 8,102,514	7,322,991
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	40,993	26,230
Accrued expenses	87,945	85,485
Funds held for others	23,375	18,615
Deferred revenue	12,700	100,000
Total current liabilities	165,013	230,330
Total liabilities	165,013	230,330
Net assets:		
Unrestricted:		
Undesignated	1,120,131	728,875
Board-designated for long-term investment	894,521	1,081,150
Investment in property and equipment	4,233,149	4,295,112
Total unrestricted net assets	6,247,801	6,105,137
Temporarily restricted	1,583,567	857,500
Permanently restricted	106,133	130,024
Total net assets	7,937,501	7,092,661
Total liabilities and net assets	\$ 8,102,514	7,322,991

See accompanying notes to financial statements.

PREBLE STREET
Statements of Activities
Years Ended June 30, 2009 and 2008

	2009	2008
Unrestricted net assets:		
Unrestricted support:		
Government grant income	\$ 1,713,156	1,529,385
Fee for service income	412,400	332,775
Contributions from individuals, churches and corporations	763,980	675,081
Foundation income	651,946	851,162
Donated services	58,928	54,585
Donated goods	648,485	490,818
United Way	397,276	399,995
Net realized/unrealized losses on investments	(233,078)	(131,967)
Interest and dividend income	42,159	83,230
Other income	78,511	57,676
Total unrestricted support	4,533,763	4,342,740
Net assets released from restrictions	878,933	125,000
Total unrestricted support and reclassifications	5,412,696	4,467,740
Expenses:		
Program services:		
Resource Center Food Programs	790,751	587,405
Social Services	617,075	546,146
Day shelter	568,605	570,142
Homeless Voices for Justice	122,228	134,904
Teen Center	834,584	760,533
Lighthouse Shelter	398,041	340,057
Logan Place	523,326	484,219
Women's Shelter	525,603	453,967
Florence House Development	64,403	29,724
Total program services	4,444,616	3,907,097
Supporting services:		
Administrative	625,213	336,412
Development	200,203	150,841
Total supporting services	825,416	487,253
Total expenses	5,270,032	4,394,350
Change in unrestricted net assets	142,664	73,390
Temporarily restricted net assets:		
Contributions	1,605,000	857,500
Net assets released from restrictions	(878,933)	(125,000)
Change in temporarily restricted net assets	726,067	732,500
Permanently restricted net assets:		
Net investment losses	(23,891)	(9,030)
Change in permanently restricted nets assets	(23,891)	(9,030)
Change in net assets	844,840	796,860
Net assets, beginning of year	7,092,661	6,295,801
Net assets, end of year	\$ 7,937,501	7,092,661

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2009

	Program services										Supporting services			Total expenses
	Resource Center Food Programs	Social Services	Day shelter	Homeless Voices for Justice	Teen Center	Lighthouse Shelter	Logan Place	Women's Shelter	Florence House Development	Total	Administrative	Development	Total	
Salaries	\$ 135,307	372,689	196,602	66,678	461,214	250,810	381,195	314,413	40,645	2,219,553	294,765	134,374	429,139	2,648,692
Payroll taxes and employee benefits	40,201	116,905	52,774	17,756	137,192	77,607	101,594	90,998	10,978	646,005	71,714	31,328	103,042	749,047
Outside services	1,356	20,909	11,003	176	39,573	660	4,982	828	107	79,594	765	3,954	4,719	84,313
Donated services	37,328	-	21,600	-	-	-	-	-	-	58,928	-	-	-	58,928
Food and program expenses	39,477	6,384	4,187	1,619	25,934	3,041	5,256	33,797	-	119,695	-	2,375	2,375	122,070
Donated goods	388,822	-	204,718	-	19,315	-	3,850	6,924	-	623,629	23,258	-	23,258	646,887
Food commodities	12,220	-	-	-	-	-	-	-	-	12,220	-	-	-	12,220
Occupancy	67,830	39,270	30,345	10,710	51,231	46,024	-	30,345	-	275,755	9,980	5,323	15,303	291,058
Telephone	258	768	4,035	106	5,600	1,385	2,853	700	42	15,747	387	182	569	16,316
Office supplies	922	2,741	1,704	380	3,447	2,047	2,879	2,498	149	16,767	1,382	652	2,034	18,801
Technology	1,273	3,785	2,352	524	4,759	2,826	3,975	3,449	206	23,149	1,908	5,369	7,277	30,426
Printing	88	260	162	36	327	194	274	237	14	1,592	131	4,002	4,133	5,725
Insurance	1,559	4,635	2,880	642	5,828	3,461	4,868	4,224	253	28,350	2,336	1,102	3,438	31,788
Professional fees	634	1,885	1,172	261	2,370	1,408	1,980	7,005	103	16,818	950	448	1,398	18,216
Postage	296	880	547	122	1,107	657	925	802	48	5,384	444	1,943	2,387	7,771
Staff development	1,202	5,126	2,176	913	10,401	5,194	4,276	3,352	191	32,831	3,084	1,201	4,285	37,116
Travel	105	1,874	43	3,333	1,370	71	661	66	3	7,526	151	349	500	8,026
Jesuit and VISTA volunteers	7,228	-	7,228	-	4,764	-	-	-	-	19,220	-	2,300	2,300	21,520
Volunteer support	300	891	554	123	1,120	665	958	812	49	5,472	449	212	661	6,133
Training/advocacy stipend	-	-	-	10,460	10,375	-	-	-	-	20,835	-	-	-	20,835
Research and evaluation	-	6,000	-	-	6,000	-	-	-	-	23,470	-	-	9,016	32,486
Grants to others - Food for MIE	-	-	-	-	-	-	-	-	11,470	-	-	-	106,433	106,433
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	83,403	83,403
Other	3,552	2,666	1,800	369	4,294	1,991	2,800	2,430	145	20,047	7,184	1,103	8,287	28,334
Depreciation expense	739,958	587,668	545,882	114,208	796,221	398,041	523,326	502,880	64,403	4,272,587	617,740	196,217	813,957	5,086,544
	50,793	29,407	22,723	8,020	38,363	-	-	22,723	-	172,029	7,473	3,986	11,459	183,488
Total expenses	\$ 790,751	617,075	568,605	122,228	834,584	398,041	523,326	525,603	64,403	4,444,616	625,213	200,203	825,416	5,270,032

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2008

	Program services										Supporting services			Total expenses
	Resource Center Food Programs	Social Services	Day shelter	Homeless Voices for Justice	Teen Center	Lighthouse Shelter	Logan Place	Women's Shelter	Florence House Development	Total	Administrative	Development	Total	
Salaries	\$ 103,837	320,931	190,693	77,529	420,586	209,907	349,894	281,947	18,629	1,973,953	224,609	96,147	320,756	2,294,709
Payroll taxes and employee benefits	36,046	98,910	46,142	23,054	127,573	66,218	96,755	73,914	5,875	574,487	50,192	22,206	72,398	646,885
Outside services	-	13,236	-	2,612	38,519	-	3,270	-	-	57,637	21,411	3,060	24,471	82,108
Donated services	36,585	18,000	-	-	-	-	-	-	-	54,585	-	-	-	54,585
Food and program expenses	58,090	8,415	2,309	566	15,265	4,405	4,370	29,545	-	122,965	-	1,537	1,537	124,502
Donated goods	215,960	-	260,134	-	9,816	-	4,908	-	-	490,818	-	-	-	490,818
Food commodities	8,905	-	-	-	-	-	-	-	-	8,905	-	-	-	8,905
Occupancy	59,475	34,433	26,607	9,391	50,718	44,745	-	26,607	-	251,976	9,880	5,269	15,149	267,125
Telephone	578	1,946	3,561	343	4,562	1,945	3,566	1,824	43	18,368	830	373	1,203	19,571
Office supplies	689	2,321	1,621	409	3,192	1,604	2,560	2,174	51	14,621	989	444	1,433	16,054
Technology	226	760	531	134	1,045	525	838	712	17	4,788	324	5,598	5,922	10,710
Printing	223	752	525	132	1,034	520	829	704	17	4,736	320	4,466	4,786	9,522
Insurance	1,349	4,544	3,174	800	6,250	3,141	5,014	4,258	100	28,630	1,937	870	2,807	31,437
Professional fees	633	2,131	1,488	375	2,931	1,473	2,351	1,997	47	13,426	909	408	1,317	14,743
Postage	239	805	562	163	1,107	557	888	754	18	5,093	343	1,286	1,629	6,722
Staff development	446	2,782	883	543	2,397	874	2,181	1,389	28	11,523	1,934	887	2,821	14,344
Travel	3,842	994	231	1,642	999	25	168	34	1	7,936	211	73	284	8,220
Jesuit and VISTA volunteers	7,986	-	5,062	-	2,225	-	-	-	-	15,273	-	2,225	2,225	17,498
Volunteer support	524	1,495	1,044	263	2,056	1,033	1,649	1,400	33	9,497	637	286	923	10,420
Training/advocacy stipend	-	-	-	8,120	11,130	-	-	-	-	19,250	-	-	-	19,250
Research and evaluation	-	-	-	-	10,000	-	-	-	4,723	14,723	-	-	-	14,723
Other	1,395	4,525	3,038	874	6,168	3,085	4,978	4,171	142	28,376	13,517	1,243	14,760	43,136
Depreciation expense	537,028	516,980	547,605	126,950	717,573	340,057	484,219	431,430	29,724	3,731,566	328,043	146,378	474,421	4,205,987
	50,377	29,166	22,537	7,954	42,960	-	-	22,537	-	175,531	8,369	4,463	12,832	188,363
Total expenses	\$ 587,405	546,146	570,142	134,904	760,533	340,057	484,219	453,967	29,724	3,907,097	336,412	150,841	487,253	4,394,350

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 844,840	796,860
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	183,488	188,363
Change in allowance for doubtful accounts	(40,000)	-
Change in unamortized discount	9,594	38,882
Loss on disposal of fixed assets	2,730	-
Realized and unrealized losses on investments	233,078	131,967
(Increase) decrease in assets:		
Accounts receivable	47,662	(4,060)
Pledges receivable	(731,097)	(668,300)
Grants receivable	(71,116)	(95,445)
Prepaid expenses	2,780	(3,482)
Inventory	(3,430)	4,568
Increase (decrease) in liabilities:		
Accounts payable	14,763	(8,428)
Accrued expenses	2,460	26,285
Deferred revenue	(87,300)	(38,004)
Net cash provided by operating activities	408,452	369,206
Cash flows from investing activities:		
Decrease in beneficial interest in perpetual trust	23,891	9,030
Reinvestment of dividends	(700)	(182)
Proceeds from sale of investments	569,913	122,808
Purchases of investments	(685,987)	(321,894)
Purchase of property and equipment	(124,256)	(75,384)
Net cash used in investing activities	(217,139)	(265,622)
Net change in cash	191,313	103,584
Cash, beginning of year	383,672	280,088
Cash, end of year	\$ 574,985	383,672

See accompanying notes to financial statements.

PREBLE STREET
Notes to Financial Statements

DESCRIPTION OF PURPOSE

Preble Street is a nonprofit corporation whose mission is to provide accessible, barrier free services to empower people experiencing problems with homelessness, housing, hunger, and poverty, and to advocate for solutions to these problems.

Resource Center Food Programs - Preble Street's breakfast program provides breakfast to homeless and low-income individuals and families living in the Greater Portland, Maine area. The program relies significantly upon volunteer labor. In addition, donated goods are a major source of the breakfast program's provisions. Preble Street's food pantry facilitates the collection and distribution of donated food for low-income and homeless citizens.

Social Services Program - Preble Street's housing program provides a free housing referral service to homeless and low-income citizens. Additionally, as a social service, Preble Street provides referrals to substance abuse and mental health treatment centers to individuals who seek this service.

Day Shelter - Preble Street's day shelter provides a safe, warm environment for case managers to offer support to homeless and low-income citizens. The day shelter offers free telephones, laundry, storage space, toilet facilities, showers, and other services.

Homeless Voices for Justice - Preble Street's consumer advocacy project is run by consumers and provides advocacy on an individual and systems' basis for people who are experiencing homelessness, mental health issues, and poverty.

Youth Program (Teen Center) - Preble Street operates a drop-in center open 365 days a year with a wide range of services for homeless and runaway youth, including meals, showers, telephones, laundry, outreach, employment, and casework services.

Lighthouse Shelter - Preble Street's Lighthouse Shelter is a 16 bed overnight emergency shelter for homeless and runaway youth ages 15 to 20 years old.

Logan Place - Preble Street provides 24 hour supportive services at Logan Place, a 30 unit efficiency apartment building. Staff assists residents in developing skills necessary to succeed in the transition from chronic homelessness to permanent housing.

Women's Shelter - In January 2007, Preble Street opened a women's shelter to provide emergency overnight shelter for homeless women. An average of 45 women stay in our shelter each night. This program is housed in our current Day Shelter and is a temporary solution while we develop Florence House.

Florence House - Florence House is a comprehensive program Preble Street is developing with our partner at Logan Place, Avesta Housing. This program will provide permanent housing solutions for chronically homeless women as well as temporary emergency shelter for women experiencing episodic homelessness.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Preble Street has adopted the provisions of Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Preble Street, and changes therein, are classified and reported as follows:

Unrestricted net assets - Funds that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Funds subject to donor-imposed stipulations that may or will be met either by actions of Preble Street and/or the passage of time. Preble Street has elected to report all temporarily restricted assets received and expended within the same fiscal period as unrestricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the principal be maintained permanently by Preble Street. Generally, the donors of the assets permit Preble Street to use all or part of the income earned on related investments for general or specific purposes.

Basis of Accounting - The financial statements are prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Revenue Recognition - All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes. Such board-designated funds are shown as a segregated portion of unrestricted net assets on the statements of financial position.

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

Accounts and Grants Receivable - Preble Street primarily operates in the Portland, Maine area and receives various governmental grants and contracts to provide services in this area. All amounts receivable are considered fully collectible, therefore an allowance for doubtful accounts is not considered necessary.

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

Property and Equipment - Property and equipment is capitalized at cost if purchased, or fair value at the date of the gift if donated and 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).

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Grants and Contributions - Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Furthermore, components of such support received with donor-imposed restrictions which are met in the year of receipt are classified as unrestricted support.

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)(2) of the Code.

Reclassifications - Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation. 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.

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2009 and 2008. As of June 30, 2009 and 2008, the aggregate of all accounts for each depositor at each such institution was insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000, respectively. As of June 30, 2009, additional deposit insurance protection was provided to Preble Street through the FDIC's Transaction Account Guarantee Program. At June 30, 2009 and 2008, Preble Street's uninsured cash balances totaled \$0 and \$283,074, respectively.

GRANTS TO OTHERS

During the year ended June 30, 2009, Preble Street initiated a campaign to raise funds for the food pantries across the State of Maine. A portion of the funds raised for this purpose were then remitted to the United Way of Greater Portland in a grant with the restriction that the funds were to be distributed to food pantries across the state. Additional funds were then remitted by Preble Street as grants to food pantries within Cumberland County. During the year ended June 30, 2009, the amount of such funds raised was \$120,000, of which \$106,433 has been granted to others. The remaining portion of the unspent funds is included in temporarily restricted net assets.

PREBLE STREET
Notes to Financial Statements, Continued

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2009</u>	<u>2008</u>
Ingraham - Mainstay	\$ 15,093	15,093
Maine Department of Health and Human Services	25,579	27,433
City of Portland Community Development Program	9,250	26,340
City of Portland Community Development Program - Teen Center	1,250	3,500
City of Portland Community Development Program - Women's	7,500	7,294
City of Portland - General assistance	32,872	16,936
City of Portland - Logan Place	18,250	-
City of Portland - Shelter	58,000	58,000
HUD Supportive Housing Grant	38,608	43,867
HUD Logan Place	114,616	112,555
MaineCare - Targeted Case Management	58,008	25,794
Maine State Housing Authority	113,665	62,087
Cumberland County	7,317	22,058
Southern Maine Area Agency on Aging	2,677	826
U.S. Department of Health and Human Services	19,455	29,597
Unity at Bayside	356	-
Total grants receivable	\$ 522,496	451,380

PLEDGES RECEIVABLE

During fiscal 2002, Preble Street started a capital campaign, with the help of an outside consultant, to raise funds to cover the cost of purchasing a new building located at 343 Cumberland Avenue, the costs associated with renovating Preble Street's existing building on Oxford Street, and to set up an investment fund in which principal contributed has been restricted by the Board of Directors and investment earnings will be used for operating expenditures. The new building was purchased in January 2002 and currently houses the Teen Center, administrative offices, and the City of Portland Homeless Health Clinic. The remaining pledges in this campaign were written off as of June 30, 2009, resulting in bad debt expense being recorded in the amount of \$73,403.

PREBLE STREET
Notes to Financial Statements, Continued

PLEDGES RECEIVABLE, CONTINUED

In addition, in fiscal 2007, Preble Street launched its Home for Good campaign, aimed at raising funds to finance the Florence House for women and capacity building initiatives for the organization as a whole. Contributions to this campaign came from foundations and long time supporters of the organization and are considered fully collectible. As a result, no allowance for uncollectible pledges is considered necessary. Total pledges receivable for all campaigns, net of unamortized discount and allowance for uncollectible pledges, are summarized as follows at June 30:

	<u>2009</u>	<u>2008</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 800,000	413,903
One year to five years	920,000	575,000
Over five years	-	-
Less allowance for uncollectible pledges	-	(40,000)
Less unamortized discount at 3%	(50,869)	(41,275)
Totals	\$ 1,669,131	907,628

CONDITIONAL PROMISES TO GIVE RECEIVABLE

In June, 2009 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2009. As this commitment carries certain conditions, the likelihood of non-fulfillment of which has been estimated by Preble Street to be more than remote, the value of this commitment has not been recorded as a receivable nor as support as of June 30, 2009, in accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. The amount of this conditional promise to give is \$340,297. Should the corresponding conditions be fulfilled, this amount is due to be paid to Preble Street in full during the fiscal year ending June 30, 2010.

In December, 2007 the Kresge Foundation approved a special conditional grant to Preble Street in the amount of \$1,000,000 to be paid out in equal installments over the next five years, and to be used to further the capacity building initiatives of the Organization. The grant carries certain conditions that must be met each year to receive the funding. The private foundation reserves the right to discontinue, modify, or withhold any payments that might otherwise be due under the grant, if in their judgment certain conditions are not met. Preble Street has assessed the likelihood of non-fulfillment associated with the grant conditions as more than remote, and therefore will record the funding as support as it is received. The first installment of \$200,000 was received in December, 2007, with the second installment of \$200,000 being received in August, 2008 after the conditions had been met. Should the corresponding conditions be fulfilled, the total outstanding amounts due to be received as of June 30, 2009 and 2008 are \$600,000 and \$800,000, respectively. The third installment of \$200,000 was received subsequent to June 30, 2009 and was recorded as revenue in that period.

PREBLE STREET
Notes to Financial Statements, Continued

INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Mutual funds	\$ 906,845	1,005,098
Equities	10,044	23,334
Totals	\$ 916,889	1,028,432

BENEFICIAL INTEREST IN PERPETUAL TRUST

Preble Street received a donation in 1997 from a donor who wished to establish an endowment fund for Preble Street to assist low income individuals achieve employment and self sufficiency. This fund was established through an agreement with the United Way of Greater Portland Foundation. It is known as the Preble Street Resource Center Self Sufficiency Endowment Fund.

The United Way of Greater Portland Foundation manages and oversees the investment of the assets of the fund. The Preble Street Board of Directors has sole discretion as to the use of the distributable income each year. Each year, the distributable income is equal to 4.5% of the average portfolio value of the Fund over the prior three years. If the fund's value exceeds \$100,000, the Preble Street Board of Directors may elect to expend more than the income generated in a specific year, provided the balance of the fund does not fall below the \$100,000 level as a result of the withdrawals.

As of June 30, 2009 and 2008, the balances in this account were \$106,133 and \$130,024, respectively.

ENDOWMENT

As noted earlier, at June 30, 2009 and 2008, Preble Street was the sole beneficiary of a perpetual trust held and administered by not-for-profit organization. Though Preble Street does not have access to the underlying assets held in this trust, nor control over the management thereof, provisions of the trust instrument do provide Preble Street with the ability to exercise discretion as to the amounts to be drawn from this trust each year. Accordingly, Preble Street's interest in this trust is deemed to meet the definition of a donor-restricted endowment, the purpose of which is to provide investment income and gains to further various activities of Preble Street, per donor intent. Additionally, Preble Street held \$894,521 and \$1,081,150 in its board-designated endowment at June 30, 2009 and 2008, respectively. As noted earlier, this fund was established by the Board through unexpended capital campaign proceeds, and is held by the Board to provide for additional financial stability for the Organization as a whole.

Preble Street has adopted the provisions of Financial Accounting Standards Board Staff Position FAS No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. Under this Staff Position, Preble Street is required to provide the following disclosures relating to its endowment activities.

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

Relevant Law - Preble Street conducts its activities primarily in Portland, Maine, and accordingly, as of June 30, 2009, considers itself bound by the version of the Uniform Management of Institutional Funds Act ("UMIFA") adopted by the state of Maine's legislature. In accordance with that statute, Preble Street has interpreted state law to require all realized and unrealized gains and losses on permanently restricted investments to be temporarily restricted net assets until appropriated by the Board of Directors, unless such appropriation is deemed to not constitute a substantive restriction, in which case such appreciation is considered unrestricted for financial statement purposes only. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanent endowment investments is available for appropriation and is reported as increases (decreases) in temporarily restricted or unrestricted net assets, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Endowment Spending Policy - Per donor intent, Preble Street is entitled to an annual distribution equal to 4.5% of the value of the donor-restricted endowment fund to support current operations, and may at its discretion withdraw additional monies so long as such distribution does not reduce the value of the fund to an amount less than \$100,000 as adjusted for annual inflation from 1999 forward. No formal spending policy has been adopted for the board-designated endowment, which is expendable at the discretion of the Board of Directors.

Endowment Investment Policy - Preble Street's endowment assets are held in a variety of readily marketable securities including money market instruments, equities, and fixed income obligations so as to provide for an appropriate mix of current income and consistent growth so as to achieve the funds' stated objectives.

Preble Street's endowment balances were comprised of the following as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 894,521	-	-	894,521
Donor-restricted endowment	-	-	106,133	106,133
Totals	\$ 894,521	-	106,133	1,000,654

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in Preble Street's endowment balances for the year ending June 30, 2009 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 989,747	-	130,024	1,119,771
Contributions	144,163	-	-	144,163
Investment return:				
Investment income, net of fees	39,926	-	1,544	41,470
Net appreciation (depreciation)	(231,450)	-	(25,435)	(256,885)
Total investment return	(191,524)	-	(23,891)	(215,415)
Amounts appropriated for expenditure	(47,865)	-	-	(47,865)
Endowment net assets, end of year	\$ 894,521	-	106,133	1,000,654

Preble Street's endowment balances were comprised of the following as of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 989,747	-	-	989,747
Donor-restricted endowment	-	-	130,024	130,024
Totals	\$ 989,747	-	130,024	1,119,771

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in Preble Street's endowment balances for the year ending June 30, 2008 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 937,177	-	139,054	1,076,231
Contributions	149,309	-	-	149,309
Investment return:				
Investment income, net of fees	67,793	-	1,116	68,909
Net appreciation (depreciation)	(122,930)	-	(10,146)	(133,076)
Total investment return	(55,137)	-	(9,030)	(64,167)
Amounts appropriated for expenditure	(41,602)	-	-	(41,602)
Endowment net assets, end of year	\$ 989,747	-	130,024	1,119,771

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, Preble Street is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

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.

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2009, with such valuations all based on readily available market prices for the underlying assets.

	Totals 6/30/09	Fair value measurements at reporting date using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds	\$ 906,845	906,845	-	-
Equities	10,044	10,044	-	-
Perpetual trust beneficial interest	106,133	106,133	-	-
Totals	\$ 1,023,022	1,023,022	-	-

DEFERRED REVENUE

Deferred revenue represents grant funds received, but not earned, to fulfill Preble Street's obligations in connection with the following as of June 30:

	2009	2008
Maine Health Access Foundation	\$ -	5,000
Anthem	-	40,000
Philanthropic Collaborative	-	15,000
Eckedahl	-	40,000
Haymarket Peoples Fund	10,700	-
Other	2,000	-
Totals	\$ 12,700	100,000

PREBLE STREET
Notes to Financial Statements, Continued

LINE OF CREDIT

Preble Street has a line of credit arrangement with a local bank with a maximum borrowing limit of \$50,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 3.75% and 5.50% at June 30, 2009 and 2008, respectively). This agreement requires an annual clearance period of 30 days, during which the outstanding balance must be brought to and maintained at \$0. Outstanding balances of this line of credit were \$0 at both June 30, 2009 and 2008.

OBLIGATION UNDER OPERATING LEASE

Preble Street leases a building which is used to house its Lighthouse Shelter program in Portland under the terms of a non-cancelable operating lease which expires on May 31, 2010. Future minimum required payments under this agreement are as follows:

<u>For year ended</u>	<u>Total</u>
2010	\$ 25,488
<u>Total</u>	<u>\$ 25,488</u>

During the years ended June 30, 2009 and 2008, Preble Street incurred rental expense under this agreement amounting to \$28,805 and \$27,847, respectively.

CONTINGENCIES

Preble Street participates in various intergovernmental grant programs that may be subject to future program compliance audits by the grantors or their representatives. Accordingly, Preble Street's compliance with applicable grant requirements may be established at some future date. The amount, if any, of liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

PENSION PLAN

Preble Street participates in a tax deferred investment plan under section 403(b) of the Internal Revenue Code. Eligible employees are able to defer salary and participate in the employer match portion of the plan. Total retirement expense under this plan for the years ended June 30, 2009 and 2008 was \$10,776 and \$7,135, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

	<u>2009</u>	<u>2008</u>
Food for Maine	\$ 13,567	-
Maine Hunger Initiative	200,000	-
Florence House	250,000	-
Home for Good/Capacity Building	1,120,000	857,500
<u>Totals</u>	<u>\$ 1,583,567</u>	<u>857,500</u>

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

	<u>2009</u>	<u>2008</u>
Beneficial interest in perpetual trust with income <u>restricted for self sufficiency efforts</u>	<u>\$ 106,133</u>	<u>130,024</u>

In 2002 Preble Street conducted a capital campaign to raise funds to cover the costs associated with purchasing and renovating a new building, and to establish an investment fund restricted by the Board of Directors. With the completion of all renovations to their new building, the remaining capital campaign funds were used to establish a board-designated investment fund. At June 30, 2009 and 2008, total board-designated net assets amounted to \$894,521 and \$1,081,150, respectively.

NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Teen services expenditures	\$ -	80,000
Food for Maine	106,433	-
Capacity building expenditures	772,500	45,000
<u>Totals</u>	<u>\$ 878,933</u>	<u>125,000</u>

PREBLE STREET
Notes to Financial Statements, Continued

DONATED SERVICES AND FACILITIES

During the years ended June 30, 2009 and 2008, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$707,413 and \$545,403 for 2009 and 2008, respectively, have been reflected in the accompanying financial statements as public support with a like amount included in expenses as donated services and goods, food commodities, and food and program expenses.

The value of nonprofessional, donated services is not reflected in the accompanying financial statements as these services do not meet the criteria outlined in Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*. However, a substantial number of nonprofessional volunteers have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$234,305 in 2009 and \$182,760 in 2008.

OTHER ECONOMIC CONCENTRATIONS AND RISKS

Approximately 40% of Preble Street's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street's ability to fulfill its mission.

As detailed previously, Preble Street invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

PREBLE STREET
Notes to Financial Statements, Continued

OCCUPANCY COSTS

In February 1994, Preble Street purchased property located on Oxford Street. In January 2002, Preble Street purchased another property at 343 Cumberland Avenue. Preble Street renovated both of these properties in fiscal years 2003 and 2004. All renovations were completed by November 2003 and these facilities now house Preble Street's programs as well as various other social welfare programs provided by other nonprofit and governmental agencies. These agencies are tenants-at-will and pay monthly stipends to help support the costs of occupying the facilities. During the years ended June 30, 2009 and 2008 these stipends totaled \$51,239 and \$53,081, respectively.

Net occupancy related costs consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Depreciation	\$ 183,489	188,363
Rent	28,805	27,847
Repairs and maintenance	46,894	44,185
Electricity	66,586	61,014
Water and sewer	35,140	32,623
Gas/heat	67,837	60,741
Trash and snow removal	8,903	7,470
Building supplies	36,892	33,245
Less stipend income	<u>(51,239)</u>	<u>(53,081)</u>
Net occupancy costs	<u>\$ 423,307</u>	<u>402,407</u>

SUBSEQUENT EVENTS

In accordance with Statement of Financial Accounting Standards No. 165, Subsequent Events, management has evaluated subsequent events for possible recognition or disclosure through February 17, 2010, which is the date these financial statements were issued.