

PREBLE STREET

Financial Statements

June 30, 2014 and 2013

Independent Auditor's Report

To the Board of Directors of
Preble Street

Report on the Financial Statements

We have audited the accompanying financial statements of Preble Street (the Organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preble Street as of June 30, 2014 and 2013 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 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 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.



December 15, 2014
South Portland, Maine

PREBLE STREET
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash	\$ 1,929,710	1,399,542
Investments	1,799,389	1,431,197
Accounts receivable	53,535	19,665
Pledges receivable, current portion	421,562	224,384
Grants receivable	716,743	962,464
Prepaid expenses	124,078	85,436
Inventory	38,165	36,390
Total current assets	5,083,182	4,159,078
Property and equipment:		
Land	422,930	422,930
Buildings and improvements	7,874,713	7,795,325
Construction in progress	-	34,029
Equipment	699,200	700,215
Vehicles	25,500	25,500
	9,022,343	8,977,999
Less accumulated depreciation	(2,443,303)	(2,184,899)
Net property and equipment	6,579,040	6,793,100
Other assets:		
Pledges receivable, noncurrent, net	374,640	322,960
Beneficial interest in perpetual trust	153,032	134,575
Total other assets	527,672	457,535
Total assets	\$ 12,189,894	11,409,713
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	127,440	248,847
Accrued expenses	293,781	242,449
Deferred revenue	-	2,419
Capital lease, current portion	2,911	-
Total current liabilities	424,132	493,715
Capital lease, net of current portion	10,366	-
Total liabilities	434,498	493,715
Net assets:		
Unrestricted:		
Undesignated	1,472,474	1,263,548
Board-designated investments	1,582,947	1,411,352
Investment in property and equipment	6,565,763	6,793,100
Total unrestricted net assets	9,621,184	9,468,000
Temporarily restricted	1,981,180	1,313,423
Permanently restricted	153,032	134,575
Total net assets	11,755,396	10,915,998
Total liabilities and net assets	\$ 12,189,894	11,409,713

See accompanying notes to financial statements.

PREBLE STREËT
Statements of Activities
For the Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:								
Government grant income	\$ 4,673,699	-	-	4,673,699	3,905,301	-	-	3,905,301
Fee for service income	342,936	-	-	342,936	244,480	-	-	244,480
Contributions	1,881,067	1,579,952	-	3,461,019	1,212,522	1,214,606	-	2,427,128
Donated services	185,901	-	-	185,901	94,012	-	-	94,012
Donated goods	1,861,955	-	-	1,861,955	1,331,311	-	-	1,331,311
United Way	477,937	-	-	477,937	466,701	-	-	466,701
Other income	36,240	-	-	36,240	36,783	-	-	36,783
Interest and dividend income	44,705	-	-	44,705	56,053	-	-	56,053
Net gain on investments	209,699	-	-	209,699	103,857	-	-	103,857
Change in fair value of trust	-	-	18,457	18,457	-	-	8,945	8,945
Total revenue and support	9,714,139	1,579,952	18,457	11,312,548	7,451,020	1,214,606	8,945	8,674,571
Net assets released from restrictions:	912,195	(912,195)	-	-	3,282,994	(3,282,994)	-	-
Total revenue, support, and reclassifications	10,626,334	667,757	18,457	11,312,548	10,734,014	(2,068,388)	8,945	8,674,571
Program expenses:								
Food programs	2,563,066	-	-	2,563,066	2,175,589	-	-	2,175,589
Resource Center	1,544,258	-	-	1,544,258	1,415,933	-	-	1,415,933
Veterans Services	1,202,922	-	-	1,202,922	841,523	-	-	841,523
Maine Hunger Initiative	326,902	-	-	326,902	264,637	-	-	264,637
Community Advocacy	128,850	-	-	128,850	125,424	-	-	125,424
Teen Center	896,420	-	-	896,420	902,831	-	-	902,831
Kreisler Shelter	510,383	-	-	510,383	533,683	-	-	533,683
Clinical Intervention Team	491,683	-	-	491,683	240,563	-	-	240,563
Logan Place	546,707	-	-	546,707	558,874	-	-	558,874
Florence House	1,214,303	-	-	1,214,303	1,158,001	-	-	1,158,001
Transitional living	51,083	-	-	51,083	-	-	-	-
Anti-trafficking	15,446	-	-	15,446	-	-	-	-
Total program expenses	9,492,023	-	-	9,492,023	8,217,058	-	-	8,217,058
Supporting services:								
38 Preble	-	-	-	-	22,121	-	-	22,121
Administration	622,436	-	-	622,436	618,106	-	-	618,106
Fundraising	146,638	-	-	146,638	110,823	-	-	110,823
Community Relations	212,053	-	-	212,053	166,235	-	-	166,235
Total supporting services	981,127	-	-	981,127	917,285	-	-	917,285
Total expenses	10,473,150	-	-	10,473,150	9,134,343	-	-	9,134,343
Change in net assets	153,184	667,757	18,457	839,398	1,599,671	(2,068,388)	8,945	(459,772)
Net assets, beginning of year	9,468,000	1,313,423	134,575	10,915,998	7,868,329	3,381,811	125,630	11,375,770
Net assets, end of year	\$ 9,621,184	1,981,180	153,032	11,755,396	9,468,000	1,313,423	134,575	10,915,998

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
Year Ended June 30, 2014

	Program services												Supporting services				Total expenses	
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Shelter	Clinical Intervention	Logan Place	Florence House	Transitional Living	Anti-Trafficking	Total	Administration	Fundraising	Community Relations		Total
Salaries	\$ 464,829	213,849	398,001	103,143	77,572	538,653	319,022	239,684	402,141	790,014	33,108	9,304	3,589,320	366,498	82,597	130,548	579,643	4,168,963
Payroll taxes and employee benefits	127,126	795,415	117,903	30,599	23,424	143,843	94,976	68,838	110,127	211,378	9,575	2,236	1,735,440	132,466	24,152	40,298	196,916	1,932,356
Outside services	-	20,129	78,824	-	-	-	-	-	-	-	-	1,840	100,793	-	-	-	-	100,793
Donated services	7,853	27,308	6,171	106,838	-	1,078	-	6,336	7,788	21,682	-	-	185,054	-	-	847	847	185,901
Program expenses	46,858	29,973	357,636	35,525	976	11,223	2,622	3,203	4,869	14,515	592	409	508,401	2,508	1,188	5,415	9,111	517,512
Subcontracts	-	1,936	117,262	-	-	32,000	-	107,484	-	-	-	111	258,793	-	-	-	-	258,793
Food	210,888	-	-	-	-	7,135	-	-	-	12,092	-	-	230,115	-	-	-	-	230,115
Donated goods	1,497,020	319,254	200	2,029	82	23,005	10	91	2,557	5,922	415	-	1,850,585	11,370	-	-	11,370	1,861,955
Occupancy	115,670	67,956	29,108	9,337	5,926	52,752	30,841	28,074	4,088	106,570	2,417	456	453,195	21,524	2,933	2,823	27,280	480,475
Telephone	778	1,718	2,416	1,312	245	1,540	294	2,729	403	790	44	72	12,341	878	87	155	1,120	13,461
Office supplies	1,765	3,593	6,411	1,010	315	2,824	5,031	2,732	1,231	2,893	469	9	28,283	6,667	1,177	2,390	10,234	38,517
Technology	4,887	7,230	16,799	1,170	2,469	5,448	2,429	7,991	2,609	7,007	2,239	72	60,350	4,116	8,300	2,968	15,384	75,734
Printing	258	1,141	456	54	177	824	127	144	133	476	37	4	3,831	239	9,592	917	10,748	14,579
Insurance	4,678	5,380	5,391	979	578	3,927	2,293	2,180	2,409	5,344	228	69	33,456	2,932	659	949	4,540	37,996
Professional fees	1,931	6,479	2,537	404	239	2,975	946	958	994	2,206	94	29	19,792	2,022	272	392	2,686	22,478
Postage	1,178	1,372	1,468	260	146	988	577	549	637	1,345	57	17	8,594	872	2,490	502	3,864	12,458
Staff development	1,792	4,052	3,967	718	526	4,140	4,647	2,844	2,310	3,971	152	24	29,143	10,667	997	4,240	15,904	45,047
Travel	3,703	2,299	28,947	6,554	2,740	3,578	647	2,836	1,107	2,791	145	177	55,524	817	423	1,400	2,640	58,164
Jesuit and VISTA volunteers	9,868	-	-	17,750	-	454	554	-	-	770	-	-	29,396	-	-	-	-	29,396
Volunteer support	1,238	1,301	1,303	237	140	954	-	527	583	1,301	55	17	7,656	859	213	12,327	13,399	21,055
Training/advocacy stipend	-	-	-	-	9,960	10,034	-	-	-	-	30	-	20,024	-	-	-	-	20,024
Research and evaluation	494	868	2,969	103	61	926	242	730	566	576	24	7	7,566	289	70	100	459	8,025
Other	2,286	2,319	5,375	459	254	1,951	1,257	932	1,020	2,287	111	42	18,293	20,217	6,322	504	27,043	45,336
	2,505,100	1,513,572	1,183,144	318,481	125,830	850,252	466,515	478,862	545,572	1,193,930	49,792	14,895	9,245,945	584,941	141,472	206,775	933,188	10,179,133
Depreciation expense	57,966	30,686	19,778	8,421	3,020	46,168	43,868	12,821	1,135	20,373	1,291	551	246,078	37,495	5,166	5,278	47,939	294,017
Total expenses	\$ 2,563,066	1,544,258	1,202,922	326,902	128,850	896,420	510,383	491,683	546,707	1,214,303	51,083	15,446	9,492,023	622,436	146,638	212,053	981,127	10,473,150

See accompanying notes to financial statements.

PREBLE STREET
Statement of Functional Expenses
June 30, 2013

	Program services											Supporting services					Total expenses
	Food Programs	Resource Center	Veterans Services	Maine Hunger Initiative	Community Advocacy	Teen Center	Kreisler Sheiter	Clinical Intervention	Logan Place	Florence House	Total	38 Preble	Administration	Fundraising	Community Relations	Total	
Salaries	\$ 454,961	769,818	228,599	122,616	76,733	539,775	280,571	118,147	399,816	724,287	3,715,323	-	376,612	59,150	88,724	524,486	4,239,809
Payroll taxes and employee benefits	134,399	221,425	75,128	38,910	24,692	161,516	84,492	37,031	119,677	209,783	1,107,053	-	147,247	19,778	29,667	196,692	1,303,745
Outside services	-	21,461	196,284	-	-	38,669	880	45,778	-	3,432	306,504	-	-	2,618	3,927	6,545	313,049
Donated services	6,662	17,226	5,280	32,240	-	-	-	-	10,560	18,964	90,932	-	3,080	-	-	3,080	94,012
Program expenses	38,708	23,137	261,878	36,731	939	10,151	3,827	434	4,318	16,983	397,106	4,137	2,376	1,095	1,643	9,251	406,357
Food	239,903	-	-	-	-	-	-	-	-	-	239,903	-	-	-	-	-	239,903
Donated goods	1,059,383	229,646	200	-	-	21,755	2,700	-	4,471	10,190	1,328,345	-	2,966	-	-	2,966	1,331,311
Occupancy	129,511	67,774	19,841	4,557	5,339	42,361	48,174	13,728	3,692	112,697	447,674	10,467	21,565	3,936	5,905	41,873	489,547
Telephone	572	1,188	2,092	753	48	1,835	176	1,200	212	432	8,508	-	2,323	40	60	2,423	10,931
Office supplies	5,393	2,977	1,422	990	259	4,963	29,990	2,800	1,079	15,470	65,343	14	8,173	1,612	2,418	12,217	77,560
Technology	10,032	12,429	6,334	2,731	1,174	8,165	8,331	5,848	5,172	12,440	72,656	-	6,641	10,171	15,256	32,068	104,724
Printing	21	173	-	2,667	-	269	99	178	44	18	3,469	4,227	630	4,182	6,274	15,313	18,782
Insurance	5,430	5,810	4,389	1,289	640	4,236	2,379	605	2,805	5,686	33,269	2,497	487	484	726	4,194	37,463
Professional fees	2,021	2,187	2,058	593	235	2,127	1,098	13	1,031	2,132	13,495	-	2,516	227	341	3,084	16,579
Postage	1,407	1,502	1,215	419	177	1,099	611	122	722	1,465	8,739	-	388	1,044	1,566	2,998	11,737
Staff development	1,723	3,152	3,680	851	569	3,577	2,722	958	1,469	2,510	21,211	-	3,129	266	398	3,793	25,004
Travel	2,370	1,108	9,626	8,262	1,278	1,506	303	1,314	705	1,644	28,116	8	651	120	180	959	29,075
Jesuit and VISTA volunteers	13,358	-	-	6,260	-	-	-	-	-	-	19,618	-	-	-	-	-	19,618
Volunteer support	1,422	1,547	1,111	320	174	1,133	630	294	768	1,572	8,971	459	614	225	338	1,636	10,607
Training/advocacy stipend	-	-	-	-	10,260	10,664	-	-	-	-	20,924	-	-	-	-	-	20,924
Research and evaluation	69	75	1,554	15	8	3,406	31	15	36	74	5,283	-	452	6	9	467	5,750
Other	2,232	2,022	1,526	431	218	1,934	42,084	337	905	1,849	53,538	312	10,801	2,389	3,584	17,086	70,624
	2,109,577	1,384,657	822,217	260,635	122,743	859,141	509,098	228,802	557,482	1,141,628	7,995,980	22,121	590,651	107,343	161,016	881,131	8,877,111
Depreciation expense	66,012	31,276	19,306	4,002	2,681	43,690	24,585	11,761	1,392	16,373	221,078	-	27,455	3,480	5,219	36,154	257,232
Total expenses	\$ 2,175,589	1,415,933	841,523	264,637	125,424	902,831	533,683	240,563	558,874	1,158,001	8,217,058	22,121	618,106	110,823	166,235	917,285	9,134,343

See accompanying notes to financial statements.

PREBLE STREET
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 839,398	(459,772)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	294,017	257,232
Change in unamortized discount	-	2,215
Realized and unrealized gains on investments	(209,699)	(103,857)
Gains on beneficial interest in perpetual trust	(18,457)	(8,945)
(Increase) decrease in assets:		
Accounts receivable	(33,870)	(18,119)
Pledges receivable	(248,858)	386,147
Grants receivable	245,721	(413,840)
Prepaid expenses	(38,642)	(1,923)
Inventory	(1,775)	(5,565)
Increase (decrease) in liabilities:		
Accounts payable	(121,407)	(73,368)
Accrued expenses	51,332	8,138
Deferred revenue	(2,419)	2,419
Net cash provided by (used in) operating activities	755,341	(429,238)
Cash flows from investing activities:		
Proceeds from sale of investments	797,845	1,760,001
Purchases of investments	(922,260)	(1,755,622)
Purchase of property and equipment	(98,866)	(1,651,936)
Net cash used in investing activities	(223,281)	(1,647,557)
Cash flows from financing activities:		
Payments on capital lease	(1,892)	-
Net cash used in financing activities	(1,892)	-
Net change in cash	530,168	(2,076,795)
Cash, beginning of year	1,399,542	3,476,337
Cash, end of year	\$ 1,929,710	1,399,542
Supplemental disclosures:		
Cash paid during the year for interest	\$ 290	-
Non-cash financing of equipment purchase	15,169	-

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

Provides drop-in services 365 days a year for adults and families, meeting basic needs, such as phone, mail, and showers to approximately 400 adults a day; as well as street outreach, community casework support, employment services, and referrals to address problems such as housing, chronic illness, mental health, substance abuse, legal issues, education, and language barrier to empower people to move beyond homelessness.

Clinical Intervention

Case managers and peer navigators work in shelters and on the streets to engage homeless individuals with mental illness or substance abuse, linking them to housing, treatment, and community resources and also supporting residential stability and homelessness prevention for formerly homeless tenants.

Teen Services

Operates 24/365 to meet the basic needs of approximately 400 homeless and runaway youth per year, ages 12-20, including:

Teen Center: Drop-in services open 8am-8pm to provide meals, clothing, showers, mail, etc. as well as street outreach, casework, and on-site collaborative services connecting youth to housing, healthcare, mental health and substance abuse treatment, educational/vocational services, and legal resources.

Joe Kreisler Teen Shelter: 24-bed overnight emergency shelter and support, located across the street from the Teen Center, and open 8pm-8am.

First Place: Transitional apartments in greater Portland with supervision and support services to assist homeless youth in establishing independent living.

Anti-Trafficking Coalition: Comprehensive service coordination and support for victims of human trafficking in Southern Maine.

Food Programs

Soup Kitchens: Operate at the Resource Center, Teen Center, and Florence House, to serve nutritious meals 3 times a day, 365 days per year (approximately 370,000 meals a year).

Food Pantry: Distributes emergency grocery meals to 130-160 families every week (approximately 190,000 meals a year).

Florence House

Permanent Apartments & Safe Haven: 25 efficiency apartments and 15 semi-private units with support services to assist tenants developing skills to maintain housing.

Emergency Shelter: Providing safety, basic services, support, and housing assistance for 25 homeless women 24 hours a day, 365 days a year.

Logan Place

Provides 24-hour support services at a 30-unit efficiency apartment building to assist tenants in developing skills to transition from chronic homelessness and maintain permanent housing.

PREBLE STREET
Notes to Financial Statements, Continued

DESCRIPTION OF PURPOSE, CONTINUED

Advocacy

Homeless Voices for Justice: Advocates on an individual and systems basis with and for people who struggle with homelessness, poverty, and hunger statewide.

Maine Hunger Initiative: Strengthening Maine's emergency food system by helping community food providers in Cumberland County introduce best practices for effectiveness and viability; promoting, developing, and supporting sustainable food programs to ensure adequate nutrition for children living in poverty across Maine; and providing input into state and national policies and programs to end hunger.

Veteran's Healthcare Outreach: Advancing health reform through outreach, education, and enrolment of low and moderate income veterans and their families throughout Maine.

Veterans Housing Services

Preventing homelessness and ensuring residential stability for veterans throughout Maine from offices in Portland, Lewiston, and Bangor.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statement presentation follows the provisions of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. 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 - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets 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 with restrictions which are met 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.

PREBLE STREET
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 with a value of \$2,500 or more is capitalized at cost if purchased, or fair value at the date of the gift if donated, and is recorded as an addition to unrestricted net assets. Expenditures for minor additions are charged to expense when incurred. Depreciation is being provided using the straight-line method over the estimated useful lives of the related assets (buildings: 35 to 40 years; major improvements: 20 to 35 years; vehicles: 5 years; computers: 3 to 5 years; and other equipment: 5 to 10 years).

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

Grants and Contributions - Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Income Taxes - Preble Street is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Preble Street's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Preble Street qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Code.

Preble Street follows the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on Preble Street's financial statements related to these provisions, and no interest or penalties related to uncertain tax positions were accrued. Preble Street is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2011 through 2014.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PREBLE STREET
Notes to Financial Statements, Continued

CONCENTRATION OF CREDIT RISK

Cash balances were held in accounts at various financial institutions during the years ended June 30, 2014 and 2013. As of June 30, 2014 and 2013, Preble Street's accounts at each such institution were insured by the Federal Deposit Insurance Corporation at levels set by applicable statute and regulation. In addition, Preble Street entered into a repurchase sweep agreement at one institution whereby amounts greater than the FDIC insured limit are swept into an overnight repurchase investment account. At June 30, 2014, Preble Street had uninsured cash balances of \$287,211. There were no uninsured balances at June 30, 2013.

GRANTS RECEIVABLE

Following is a summary of grants receivable at June 30:

	<u>2014</u>	<u>2013</u>
Avesta Housing	\$ 106,807	102,098
Catholic Charities of Maine	179,956	205,339
City of Portland - Shelter	-	39,058
City of Portland - CDBG	14,790	17,990
City of Portland - General assistance	32,000	29,000
City of Portland - Logan Place	18,244	12,158
City of Portland - HUD Supportive Housing Grant	27,608	-
Maine State Housing Authority	51,584	40,937
Youth Alternatives/Ingraham	15,093	15,093
SARSSM	-	1,875
Cumberland County	6,541	6,541
U.S. Department of Justice	12,421	-
Southern Maine Area Agency on Aging	10,305	10,570
U.S. Department of Health and Human Services	15,169	13,146
United Way	-	1,220
State of Maine	30,078	298,190
Veterans Affairs	196,147	169,249
Total grants receivable	\$ 716,743	962,464

PREBLE STREET
Notes to Financial Statements, Continued

PLEDGES RECEIVABLE

In fiscal 2012, Preble Street launched a capital campaign to raise funds for the purchase and renovation of a property located at 38 Preble Street. Now fully renovated, the building serves as the new home for the Lighthouse Shelter and has been renamed the Joe Kreisler Shelter, in honor of Preble Street's founder.

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, are summarized as follows at June 30:

	<u>2014</u>	<u>2013</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 421,562	224,384
One year to five years	397,696	355,900
Over five years	-	-
<u>Less unamortized discount at 6%</u>	<u>(23,056)</u>	<u>(32,940)</u>
	796,202	547,344
<u>Less current portion</u>	<u>(421,562)</u>	<u>(224,384)</u>
<u>Non-current portion</u>	<u>\$ 374,640</u>	<u>322,960</u>

CONDITIONAL PROMISES TO GIVE RECEIVABLE

In June, 2014 the United Way of Greater Portland committed to provide funding to Preble Street for the fiscal year ending June 30, 2015. 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, 2014, in accordance with the *Not-for-Profit Entities: Revenue Recognition* topic of the FASB Accounting Standards Codification. The amount of this conditional promise to give is \$336,720. 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, 2015.

In December, 2013, Preble Street was awarded a grant by a private foundation for the purpose of starting a youth transitional living program. The total grant amount is for \$813,000 and is to be paid out in equal installments over a three year period upon the completion of agreed upon milestones for the project. The first payment of \$271,000 was received in 2014. Given the conditional nature of this grant, Preble Street believes the likelihood of non-fulfillment is more than remote, and as such, the grant was not recorded as a promise to give receivable. The remaining payments of this grant will be treated as revenue when the conditions of the grant have been met and payment is received.

PREBLE STREET
Notes to Financial Statements, Continued

INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 1,452,881	1,100,253
Exchange-traded funds	289,040	300,975
Money market funds and cash equivalents	57,468	10,124
Equities	-	19,845
Totals	\$ 1,799,389	1,431,197

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, 2014 and 2013, the balances in this account were \$153,032 and \$134,575, respectively.

ENDOWMENT

As noted earlier, at June 30, 2014 and 2013, Preble Street was the sole beneficiary of a perpetual trust held and administered by a not-for-profit organization in the amount of \$153,032 and \$134,575, in 2014 and 2013, respectively. 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 \$1,582,947 and \$1,411,352 in its board-designated endowment at June 30, 2014 and 2013, 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. At its discretion, the Board may elect to change its policy with regard to these funds if it deems future circumstances warrant such a change.

Preble Street has adopted the provisions of the *Not-for-Profit Entities: Reporting Endowment Funds* topic of the FASB Accounting Standards Codification. Under these provisions, 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, considers itself bound by the version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all of net appreciation (depreciation), net appreciation (depreciation) on permanent endowment investments is reported as increases (decreases) in temporarily restricted endowment investments until appropriated by the Board, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Endowment Spending Policy - The responsibility of setting the spending policy for the Board Designated endowment shall rest with the Executive Committee of the Board of Directors, subject to the approval of the entire Board of Directors. The amount available to help meet the annual operating needs of Preble Street shall be based upon the following principles:

- No portion of the endowment fund will be spent until the value of the pool equals or exceeds \$1,000,000 at the end of the fiscal year.
- 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 \$1,000,000 as of the end of the fiscal year, shall be ignored.
- This is a maximum amount and Preble Street can elect to spend less should it choose to do so.

Distributions from the board-designated endowment were \$48,580 and \$40,000, in 2014 and 2013, respectively.

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

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

Preble Street's endowment balances were comprised of the following as of June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 1,582,947	-	-	1,582,947
Donor-restricted endowment	-	-	153,032	153,032
Totals	\$ 1,582,947	-	153,032	1,735,979

PREBLE STREET
Notes to Financial Statements, Continued

ENDOWMENT, CONTINUED

The changes in Preble Street's endowment balances for the year ended June 30, 2014 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,411,352	-	134,575	1,545,927
Contributions	-	-	-	-
(Distributions)	(48,580)	-	(5,135)	(53,715)
Investment return:				
Investment income, net of fees	31,895	-	1,262	33,157
Net appreciation (depreciation)	188,280	-	22,330	210,610
Total investment return	220,175	-	23,592	243,767
Endowment net assets, end of year	\$ 1,582,947	-	153,032	1,735,979

Preble Street's endowment balances were comprised of the following as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Board-designated endowment	\$ 1,411,352	-	-	1,411,352
Donor-restricted endowment	-	-	134,575	134,575
Totals	\$ 1,411,352	-	134,575	1,545,927

The changes in Preble Street's endowment balances for the year ended June 30, 2013 were as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 1,311,754	-	125,630	1,437,384
Contributions	-	-	-	-
(Distributions)	(40,000)	-	(5,102)	(45,102)
Investment return:				
Investment income, net of fees	39,379	-	1,464	40,843
Net appreciation (depreciation)	100,219	-	12,583	112,802
Total investment return	139,598	-	14,047	153,645
Endowment net assets, end of year	\$ 1,411,352	-	134,575	1,545,927

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

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

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2014.

- *Equity securities, Corporate Bonds, and U.S. Government Securities:* Valued at the closing price as reported on the active market on which the individual securities are traded.
- *Mutual Funds and Exchange Traded Funds:* Valued at the net asset value (NAV) of shares held by Preble Street at year end.
- *Beneficial Interest in Perpetual Trust:* Valued at the closing price as reported on the active market on which the underlying individual securities of the Trust are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Preble Street management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

PREBLE STREET
Notes to Financial Statements, Continued

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The table below segregates all financial assets and liabilities as of June 30, 2014 and 2013 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

	<u>Fair value measurements at 06/30/14 using:</u>			
	Totals 06/30/14	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds	\$ 1,452,881	1,452,881	-	-
Exchange-traded funds	289,040	289,040	-	-
Money market funds and cash equivalents	57,468	57,468	-	-
<u>Beneficial interest in perpetual trust</u>	<u>153,032</u>	<u>-</u>	<u>153,032</u>	<u>-</u>
Totals	1,952,421	1,799,389	153,032	-

	<u>Fair value measurements at 06/30/13 using:</u>			
	Totals 06/30/13	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds	\$ 1,100,253	1,100,253	-	-
Exchange-traded funds	300,975	300,975	-	-
Money market funds and cash equivalents	10,124	10,124	-	-
Corporate equities	19,845	19,845	-	-
<u>Beneficial interest in perpetual trust</u>	<u>134,575</u>	<u>-</u>	<u>134,575</u>	<u>-</u>
Totals	1,565,772	1,431,197	134,575	-

During 2013, the Organization changed investment managers which resulted in a rebalance of the portfolio holdings.

Transfers between level 2 and level 3 assets are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers into or out of level 2 and level 3 assets or liabilities during the years ended June 30, 2014 and 2013.

LINE OF CREDIT

Preble Street has available a line of credit agreement with a financial institution for a maximum borrowing limit of \$350,000. Interest is payable monthly on all outstanding advances at a rate equal to prime plus 0.5% (equal to 3.75% at June 30, 2014 and 2013). At June 30, 2014 and 2013, there were no amounts outstanding on this line of credit.

PREBLE STREET
Notes to Financial Statements, Continued

OBLIGATION UNDER OPERATING LEASE

Preble Street holds a number of non-cancelable operating leases. The leases are for the use of office space and equipment, program space including the safe haven and shelter portions of the building that houses Florence House and apartments for the Transitional Living Program, and the use of certain vehicles. The agreements call for monthly rental payments ranging from \$56 to \$5,926, and can be adjusted annually to reflect changes in the related facility's operating expenses, the lease terms range from 1 – 30 years. As of June 30, 2014 future minimum operating lease payments amounted to the following:

<u>For year ended</u>	<u>Total</u>
2015	\$ 129,672
2016	77,796
2017	75,134
2018	71,504
2019	71,112
<u>Thereafter</u>	<u>1,475,574</u>
 <u>Total</u>	 <u>\$ 1,900,792</u>

During the years ended June 30, 2014 and 2013, total rent expense incurred by Preble Street related to these agreements amounted to \$93,457 and \$98,542, respectively.

OBLIGATION UNDER CAPITAL LEASE

During 2014, Preble Street secured the use of certain office equipment under the terms of a capital lease. The cost basis and accumulated depreciation of the equipment thus capitalized amounted to \$15,169 and (\$1,431), respectively, at June 30, 2014. Future minimum required payments under these leases are as follows for the year ended June 30:

2015	\$ 3,274
2016	3,274
2017	3,274
2018	3,274
<u>2019</u>	<u>1,090</u>
Subtotal	14,186
<u>Less amounts representing interest</u>	<u>(909)</u>
Principal balance	13,277
<u>Less current portion</u>	<u>(2,911)</u>
 <u>Non-current principal portion</u>	 <u>\$ 10,366</u>

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.

PREBLE STREET
Notes to Financial Statements, Continued

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, 2014 and 2013 was \$20,530 and \$16,204, respectively.

RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES

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

	<u>2014</u>	<u>2013</u>
Food Programs	\$ 233,750	250,121
Maine Hunger Initiative	76,250	80,000
Community advocacy	40,282	-
38 Preble Street Building and Operating Fund	909,769	958,302
Resource Center	-	25,000
Transitional Living Program	221,129	-
Capacity building support	500,000	-
Totals	<u>\$ 1,981,180</u>	<u>1,313,423</u>

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.

The capacity building support grant is unrestricted as to its use, but is intended to provide operating support across a three year period, thus releasing \$250,000 each year.

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

	<u>2014</u>	<u>2013</u>
Beneficial interest in perpetual trust with income		
<u>restricted for self sufficiency efforts</u>	<u>\$ 153,032</u>	<u>134,575</u>

As previously discussed, Preble Street has a board-designated endowment fund. At June 30, 2014 and 2013, these board-designated net assets amounted to \$1,582,947 and \$1,411,352, respectively.

PREBLE STREET
Notes to Financial Statements, Continued

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>2014</u>	<u>2013</u>
Food	\$ 271,371	721,657
Kreisler Shelter	136,860	1,968,660
Maine Hunger Initiative	159,375	231,466
Teen Center	-	38,960
Resource Center	25,000	52,386
Homeless Voice for Justice	-	8,185
Florence House	-	160,395
Veterans' Services	-	135
Community advocacy	19,718	-
Logan Place	-	1,150
Capacity building	250,000	100,000
<u>Transitional Living Program</u>	<u>49,871</u>	<u>-</u>
<u>Totals</u>	<u>\$ 912,195</u>	<u>3,282,994</u>

DONATED SERVICES AND GOODS

During the years ended June 30, 2014 and 2013, certain goods and professional services were donated to Preble Street. The estimated fair values of these goods and professional services totaling \$2,047,856 and \$1,425,323 for 2014 and 2013, 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 the *Not-for-Profit Entities: Revenue Recognition* topic of the FASB Accounting Standards Codification. However, Preble Street utilizes in excess of 5,500 nonprofessional volunteers that have donated significant amounts of their time in support of Preble Street's programs. The estimated fair value of the nonprofessional donated services was \$602,555 in 2014 and \$550,253 in 2013.

PREBLE STREET
Notes to Financial Statements, Continued

OTHER ECONOMIC CONCENTRATIONS AND RISKS

Approximately 50% of Preble Street's annual funding, other than in-kind goods and services, is provided through various local, state and federal governmental grants and contracts. Any significant reduction in this funding could affect Preble Street's ability to fulfill its mission.

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

RENTAL INCOME

Preble Street owns and operates two buildings in Portland, Maine that house Preble Street's programs as well as various other social welfare programs provided by other nonprofit and governmental agencies. These agencies are tenants-at-will and pay monthly stipends to help support the costs of occupying the facilities. During the years ended June 30, 2014 and 2013 these stipends totaled \$36,240 and \$36,240, respectively.

SUBSEQUENT EVENTS

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through December 15, 2014, which is the date these financial statements were available to be issued.