



Pine Street Inn
Ending Homelessness

AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

PINE STREET INN, INC. AND AFFILIATES

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
Pine Street Inn, Inc. and Affiliates:

Opinion

We have audited the consolidated financial statements of Pine Street Inn, Inc. (a Massachusetts corporation, not-for-profit) and Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, changes in entities' net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pine Street Inn, Inc. and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

AAFCPA, Inc.

Boston, Massachusetts
November 9, 2022

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 24,517,227	\$ 28,154,132
Current portion of restricted cash and cash equivalents	1,814,581	112,319
Accounts receivable, net	9,929,536	9,597,659
Current portion of contributions receivable	2,906,813	5,734,764
Prepaid expenses and other current assets	1,278,181	854,756
Total current assets	40,446,338	44,453,630
Restricted Cash and Cash Equivalents, net of current portion	15,139,599	10,088,199
Contributions Receivable, net	1,556,585	2,825,517
Investments	61,372,797	60,247,874
Property, Plant and Equipment, net	42,810,302	42,624,124
Other Assets	273,710	628,781
Total assets	\$ 161,599,331	\$ 160,868,125
Liabilities and Entities' Net Assets		
Current Liabilities:		
Current portion of notes payable	\$ 621,375	\$ 597,471
Current portion of other debt	675,000	675,000
Accounts payable	3,364,767	2,485,936
Accrued expenses and other liabilities	4,989,547	4,720,426
Conditional grant advances	1,691,296	124,528
Total current liabilities	11,341,985	8,603,361
Notes Payable, net of current portion and unamortized debt issuance costs	4,511,702	5,112,451
Other Debt, net of current portion	19,092,770	19,092,770
Total liabilities	34,946,457	32,808,582
Entities' Net Assets:		
Without donor restrictions:		
Available for operations	46,090,485	46,668,330
Board designated	18,629,343	11,218,000
Net investment in plant	17,173,813	16,116,332
Total without donor restrictions	81,893,641	74,002,662
With donor restrictions	43,115,504	52,197,054
Total entities' net assets	125,009,145	126,199,716
Non-controlling interest	1,643,729	1,859,827
Total net assets	126,652,874	128,059,543
Total liabilities and net assets	\$ 161,599,331	\$ 160,868,125

The accompanying notes are an integral part of these consolidated statements.

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PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Contract revenue	\$ 46,815,338	\$ -	\$ 46,815,338	\$ 44,091,063	\$ -	\$ 44,091,063
Contributions and grants	16,782,663	5,014,208	21,796,871	15,305,471	6,799,403	22,104,874
Rental income and subsidies	4,076,149	-	4,076,149	4,198,470	-	4,198,470
Donated goods, services and facilities	3,657,316	-	3,657,316	3,728,823	-	3,728,823
Patient service revenue	2,843,071	-	2,843,071	2,497,995	-	2,497,995
Social enterprise revenue	2,320,480	-	2,320,480	2,394,403	-	2,394,403
Spending policy transfer	1,794,277	-	1,794,277	1,484,291	-	1,484,291
Other revenue	1,094,345	-	1,094,345	674,709	-	674,709
Net assets released from program restrictions	4,409,122	(4,409,122)	-	4,652,838	(4,652,838)	-
Total operating revenues	<u>83,792,761</u>	<u>605,086</u>	<u>84,397,847</u>	<u>79,028,063</u>	<u>2,146,565</u>	<u>81,174,628</u>
Operating Expenses:						
Emergency services	29,588,191	-	29,588,191	30,368,376	-	30,368,376
Permanent supportive housing	21,916,925	-	21,916,925	21,799,750	-	21,799,750
Housing placement	10,125,056	-	10,125,056	7,075,108	-	7,075,108
Workforce development	2,905,452	-	2,905,452	3,168,448	-	3,168,448
Substance abuse treatment	1,323,562	-	1,323,562	1,450,483	-	1,450,483
General and administrative	9,537,209	-	9,537,209	8,021,501	-	8,021,501
Fundraising and development	4,311,821	-	4,311,821	4,235,067	-	4,235,067
Total operating expenses	<u>79,708,216</u>	<u>-</u>	<u>79,708,216</u>	<u>76,118,733</u>	<u>-</u>	<u>76,118,733</u>
Changes in net assets from operations before net gain on sale or disposal of property, plant and equipment	4,084,545	605,086	4,689,631	2,909,330	2,146,565	5,055,895
Net Gain on Sale or Disposal of Property, Plant and Equipment	<u>2,209,517</u>	<u>-</u>	<u>2,209,517</u>	<u>25,070</u>	<u>-</u>	<u>25,070</u>
Changes in net assets from operations	<u>6,294,062</u>	<u>605,086</u>	<u>6,899,148</u>	<u>2,934,400</u>	<u>2,146,565</u>	<u>5,080,965</u>
Non-Operating Activity:						
Capital contributions and grants	-	2,416,630	2,416,630	-	1,363,391	1,363,391
Endowment contributions	-	1,126,129	1,126,129	-	2,561,089	2,561,089
Spending policy transfer	(1,409,896)	(384,381)	(1,794,277)	(1,249,837)	(234,454)	(1,484,291)
Total investment return	(6,780,691)	(3,273,608)	(10,054,299)	8,862,929	3,417,963	12,280,892
Net assets release from capital campaign restriction	8,351,428	(8,351,428)	-	-	-	-
Net assets released from capital restrictions	525,970	(525,970)	-	2,771,299	(2,771,299)	-
Net assets released from facility use restrictions	694,008	(694,008)	-	-	-	-
Total non-operating activity	<u>1,380,819</u>	<u>(9,686,636)</u>	<u>(8,305,817)</u>	<u>10,384,391</u>	<u>4,336,690</u>	<u>14,721,081</u>
Changes in net assets	7,674,881	(9,081,550)	(1,406,669)	13,318,791	6,483,255	19,802,046
Changes in Net Assets Attributable to Non-Controlling Interest	<u>216,098</u>	<u>-</u>	<u>216,098</u>	<u>171,868</u>	<u>-</u>	<u>171,868</u>
Changes in net assets attributable to Pine Street entities	<u>\$ 7,890,979</u>	<u>\$ (9,081,550)</u>	<u>\$ (1,190,571)</u>	<u>\$ 13,490,659</u>	<u>\$ 6,483,255</u>	<u>\$ 19,973,914</u>

The accompanying notes are an integral part of these consolidated statements.

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Changes in Entities' Net Assets
For the Years Ended June 30, 2022 and 2021

Entities' Net Assets, June 30, 2020	\$ 108,257,497
Changes in net assets	<u>19,802,046</u>
Entities' Net Assets, June 30, 2021	128,059,543
Changes in net assets	<u>(1,406,669)</u>
Entities' Net Assets, June 30, 2022	<u><u>\$ 126,652,874</u></u>

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	Program Services						Support Services			Total
	Emergency Services	Permanent Supportive Housing	Housing Placement	Workforce Development	Substance Abuse Treatment	Total Program Services	General and Administrative	Fundraising and Development	Total Support Services	
2022										
Salaries and wages	\$ 11,287,373	\$ 7,993,936	\$ 3,764,749	\$ 1,162,175	\$ 812,127	\$ 25,020,360	\$ 4,686,570	\$ 2,038,708	\$ 6,725,278	\$ 31,745,638
Employee benefits and payroll taxes	2,544,974	1,749,123	837,930	197,927	185,408	5,515,362	988,435	484,587	1,473,022	6,988,384
Total personnel and related costs	13,832,347	9,743,059	4,602,679	1,360,102	997,535	30,535,722	5,675,005	2,523,295	8,198,300	38,734,022
Occupancy	7,533,300	7,556,989	208,763	422	2,611	15,302,085	500,723	576	501,299	15,803,384
Professional fees and contracted services	3,568,742	1,734,963	691,033	24,509	306,915	6,326,162	2,201,715	427,217	2,628,932	8,955,094
Food and supplies	2,670,235	500,300	111,437	1,318,287	8,320	4,608,579	117,714	22,965	140,679	4,749,258
Client support and assistance	88,137	33,825	3,687,974	-	-	3,809,936	(20)	-	(20)	3,809,916
Postage, printing and telephone	155,321	183,696	39,281	24,922	10,275	413,495	149,416	742,068	891,484	1,304,979
Other	114,302	135,359	41,539	9,893	(9,599)	291,494	382,039	482,980	865,019	1,156,513
Equipment expenses	311,464	325,445	481,512	452	2,957	1,121,830	17,992	5,411	23,403	1,145,233
Transportation	376,291	183,644	91,953	12,999	4,548	669,435	20,634	918	21,552	690,987
Interest	5,846	4,681	-	-	-	10,527	227,418	-	227,418	237,945
Clothing, linens and laundry	188,442	5,441	-	-	-	193,883	-	-	-	193,883
Total expenses before depreciation	28,844,427	20,407,402	9,956,171	2,751,586	1,323,562	63,283,148	9,292,636	4,205,430	13,498,066	76,781,214
Depreciation	743,764	1,509,523	168,885	153,866	-	2,576,038	244,573	106,391	350,964	2,927,002
Total expenses	\$ 29,588,191	\$ 21,916,925	\$ 10,125,056	\$ 2,905,452	\$ 1,323,562	\$ 65,859,186	\$ 9,537,209	\$ 4,311,821	\$ 13,849,030	\$ 79,708,216
	Program Services						Support Services			
	Emergency Services	Permanent Supportive Housing	Housing Placement	Workforce Development	Substance Abuse Treatment	Total Program Services	General and Administrative	Fundraising and Development	Total Support Services	Total
2021										
Salaries and wages	\$ 10,516,943	\$ 8,282,019	\$ 3,110,148	\$ 1,619,741	\$ 863,565	\$ 24,392,416	\$ 3,721,008	\$ 2,247,713	\$ 5,968,721	\$ 30,361,137
Employee benefits and payroll taxes	2,648,028	2,004,205	754,251	285,978	199,389	5,891,851	967,035	536,434	1,503,469	7,395,320
Total personnel and related costs	13,164,971	10,286,224	3,864,399	1,905,719	1,062,954	30,284,267	4,688,043	2,784,147	7,472,190	37,756,457
Occupancy	8,564,950	7,271,649	46,308	325	2,831	15,886,063	400,362	375	400,737	16,286,800
Professional fees and contracted services	3,939,569	1,258,833	689,164	2,360	251,839	6,141,765	1,753,175	335,019	2,088,194	8,229,959
Food and supplies	2,581,840	578,806	71,646	1,053,083	13,911	4,299,286	128,621	41,876	170,497	4,469,783
Client support and assistance	45,510	55,273	1,767,045	-	-	1,867,828	200	-	200	1,868,028
Postage, printing and telephone	103,277	243,282	35,197	7,497	6,478	395,731	137,713	570,049	707,762	1,103,493
Other	391,744	76,298	12,438	-	109,831	590,311	458,837	342,791	801,628	1,391,939
Equipment expenses	380,729	293,158	406,950	72	1,569	1,082,478	9,920	1,061	10,981	1,093,459
Transportation	236,046	169,262	42,821	43,578	1,070	492,777	9,185	2,667	11,852	504,629
Interest	22,139	70,572	-	-	-	92,711	175,890	-	175,890	268,601
Clothing, linens and laundry	188,097	5,754	-	-	-	193,851	-	-	-	193,851
Total expenses before depreciation	29,618,872	20,309,111	6,935,968	3,012,634	1,450,483	61,327,068	7,761,946	4,077,985	11,839,931	73,166,999
Depreciation	749,504	1,490,639	139,140	155,814	-	2,535,097	259,555	157,082	416,637	2,951,734
Total expenses	\$ 30,368,376	\$ 21,799,750	\$ 7,075,108	\$ 3,168,448	\$ 1,450,483	\$ 63,862,165	\$ 8,021,501	\$ 4,235,067	\$ 12,256,568	\$ 76,118,733

The accompanying notes are an integral part of these consolidated statements.

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,406,669)	\$ 19,802,046
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,927,002	2,951,734
Amortization of debt issuance costs	3,575	3,575
Bad debt	305,409	243,485
Net realized and unrealized gains (losses) on investments	12,695,851	(9,909,848)
Endowment contributions	(1,126,129)	(2,561,089)
Capital contributions and grants	(2,416,630)	(1,363,391)
Net gain on sale or disposal of property, plant and equipment	(2,209,517)	(25,070)
Changes in operating assets and liabilities:		
Accounts receivable	(687,203)	(198,226)
Contributions receivable	1,720,618	2,495,683
Prepaid expenses and other current assets	(423,425)	(458,530)
Accounts payable	510,843	(457,424)
Accrued expenses and other liabilities	269,121	620,857
Conditional grant advances	1,566,768	124,528
Net cash provided by operating activities	<u>11,729,614</u>	<u>11,268,330</u>
Cash Flows from Investing Activities:		
Other assets	354,011	(326,036)
Purchase of investments	(18,605,602)	(11,118,484)
Proceeds from sale of investments	4,784,828	-
Purchases of property, plant and equipment	(4,034,615)	(2,458,276)
Proceeds from sale of property, plant and equipment	3,500,000	25,070
Net cash used in investing activities	<u>(14,001,378)</u>	<u>(13,877,726)</u>
Cash Flows from Financing Activities:		
Capital contributions and grants collected	3,120,130	1,909,724
Endowment contributions collected	2,848,811	7,743,565
Principal payments on notes payable and other debt	(605,592)	(588,976)
Proceeds from notes payable and other debt	25,172	13,531
Net cash provided by financing activities	<u>5,388,521</u>	<u>9,077,844</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	3,116,757	6,468,448
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>38,354,650</u>	<u>31,886,202</u>
End of year	<u>\$ 41,471,407</u>	<u>\$ 38,354,650</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 24,517,227	\$ 28,154,132
Current portion of restricted cash and cash equivalents	1,814,581	112,319
Restricted cash and cash equivalents, net of current portion	<u>15,139,599</u>	<u>10,088,199</u>
Total cash, cash equivalents and restricted cash	<u>\$ 41,471,407</u>	<u>\$ 38,354,650</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 237,945</u>	<u>\$ 268,601</u>
Unrealized gains (losses) on investments	<u>\$ (13,114,294)</u>	<u>\$ 9,098,488</u>
Property, plant and equipment financed through accounts payable	<u>\$ 367,988</u>	<u>\$ 30,149</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. NATURE OF ORGANIZATION

Pine Street Inn, Inc. (the Inn) is a Massachusetts not-for-profit corporation dedicated to ending homelessness. The Inn partners with homeless individuals to help them move from the street and shelters to a home and assists formerly homeless individuals in retaining housing. The Inn provides street outreach, emergency services, supportive housing, substance abuse treatments, job training, and connections to employment. The Inn tirelessly advocates for collaborative solutions to end homelessness.

The following two legal entities are wholly-owned by the Inn and are included in the Inn's operations in the accompanying consolidated financial statements:

- 18-20 Parker Hill Avenue LLC is a Massachusetts limited liability corporation, which was organized to develop nineteen affordable housing units on Parker Hill Avenue in Boston, Massachusetts. The project was completed and occupancy began in fiscal year 2008.
- 1734 Washington Street Limited Partnership is a Massachusetts limited partnership, which was originally organized to develop thirty-three affordable housing units on Washington Street in Boston, Massachusetts. Since 1988, the Inn has been the sole stockholder of a corporation, which was the General Partner in this real estate limited partnership. This General Partner investment consisted of a one percent equity interest in the limited partnership. The Inn became the sole investor of 1734 Washington Street Limited Partnership when it acquired the interests of the investor limited partners on March 31, 2006 (see Note 22).

Pine Street Inn Housing II, Inc. (Housing II) is a Massachusetts not-for-profit corporation, which was organized to develop housing units on Geneva Avenue in Boston, Massachusetts. Section 202 funding was provided by the U.S. Department of Housing and Urban Development (HUD) for the development of a ten-unit housing facility for elderly persons. The Board of Directors of Housing II consists of directors and senior managers of the Inn.

The Inn is the managing member of and holds a majority interest in 51-57 Beals Street Managing Member LLC (Beals MM LLC), a Massachusetts limited liability company. The purpose of Beals MM LLC is to act as the managing member of and hold limited liability interests in 51-57 Beals Street LLC (Beals Street LLC). Management, operation and establishment of the policies of Beals MM LLC are vested exclusively in the managing member. The profits and losses of Beals MM LLC are allocated to the members in accordance with each of their membership interests.

Beals Street LLC is a Massachusetts limited liability company formed on February 3, 2015, for the purpose of acquiring, developing and operating property consisting of two buildings located in Brookline, Massachusetts. Beals Street LLC purchased the property from the Inn in April 2015; rehabilitation of the property began upon purchase and was completed in August 2016. Beals Street LLC was awarded 2016 low-income housing tax credits (LIHTC) under Internal Revenue Code Section 42 (the Code) and 2015 Massachusetts low-income housing tax credits (State LIHTC). Beals Street LLC allocated 100% of the State LIHTC to Beals MM LLC. Beals MM LLC entered into an agreement to allocate 100% of the State LIHTC to the Inn.

2. NONPROFIT STATUS

The Inn and Housing II are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Inn and Housing II are also exempt from state income taxes. Donors may deduct contributions made to the Inn and Housing II within IRC requirements.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. NONPROFIT STATUS (Continued)

Certain activities of the Inn are subject to Federal and state income taxes under Unrelated Business Taxable Income (UBTI) regulations. The Inn did not incur any tax expense related to these activities for the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, the Inn has Federal net operating loss carryforwards (NOLs) related to UBTI of \$5,580,895 and \$4,954,327, respectively. The Federal NOLs incurred through June 30, 2019, expire at various dates through 2034 and are not subject to limitations. Under the tax law enacted during tax year 2018, losses from one unrelated business activity may not be used to offset profits from a separate unrelated trade or business activity. Organizations are required to “silo” each unrelated trade or business from the others. NOLs arising for taxable years beginning after June 30, 2018, have been carried forward indefinitely and are subject to limitations of the deduction to 80% of current year taxable income. As of June 30, 2022 and 2021, the Inn has state NOLs related to UBTI of \$4,107,291 and \$3,548,078, respectively. The treatment of the state NOLs conforms to the Federal treatment. A deferred tax asset has not been recorded as the realization of the NOLs is uncertain.

Beals Street LLC has elected to be treated as a partnership for income tax purposes. No income tax provision has been included in the accompanying consolidated financial statements as the income, loss and credits of Beals Street LLC are reported by the members on their respective income tax returns. However, Beals Street LLC’s income tax returns are subject to examination by the appropriate taxing jurisdictions.

For Federal and state income tax purposes, 18-20 Parker Hill Avenue LLC and 1734 Washington Street Limited Partnership are treated as disregarded entities.

3. SIGNIFICANT ACCOUNTING POLICIES

The Inn, Housing II, Beals MM LLC, and Beals Street LLC’s consolidated financial statements are prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Consolidation

The consolidated financial statements include the net assets of the Inn, Housing II, Beals MM LLC, and Beals Street LLC (collectively, the Organization). All significant intercompany accounts have been eliminated in consolidation.

Recently Adopted Accounting Pronouncement

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services and it does not apply to businesses enterprises.

In fiscal year 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization’s net asset classes, results of operations, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented (see Note 13).

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Uncertainty in Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has disclosed its tax position on the treatment on the NOLs (see Note 2) and there are no other uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at June 30, 2022 and 2021. The Organization's tax and information returns are subject to examination by the Federal and state jurisdictions.

Classification and Reporting of Net Assets:

Net Assets Without Donor Restrictions represent those net resources that bear no donor-imposed restrictions and are generally available for use by the Organization. Net assets without donor restrictions include the following:

Available for Operations represent funds available to carry on the operations of the Organization.

Board Designated represents funds that have been designated by the Organization's Board of Directors for future use (see Notes 14 and 16).

Net Investment in Plant represents funds used in activities relating to the Organization's property, plant and equipment, net of related debt.

Net Assets With Donor Restrictions represent contributions and inflows of assets whose use by the Organization is limited by donor-imposed stipulations. These include both temporary stipulations that expire by the passage of time or fulfillment of donor requirement by actions of the Organization, and permanent restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization (see Note 15).

Net assets with donor restrictions also include, under Massachusetts law, cumulative net appreciation and reinvested gains on endowment funds that are subject to prudent appropriation by the Board of Directors in accordance with provisions of Massachusetts law.

Non-Controlling Interest represents the non-controlling interests in Beals Street LLC and Beals MM LLC, which are owned by unrelated investors.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments. Money market funds included in investments are not included in cash and cash equivalents. Cash and cash equivalents also include assets limited to use. Those highly liquid resources not generally available for current operations or otherwise restricted are classified as restricted cash (see Note 5). The Organization maintains its cash in bank deposit accounts, which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment and Depreciation

Purchased property, plant and equipment are recorded at cost. Donated property, plant and equipment are recorded at fair value at the time of donation. Depreciation (including depreciation of assets recorded under capital leases) is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Leasehold improvements	Greater of 5 years or life of the lease
Furniture and fixtures	3 years
Machinery and equipment	10 years
Computer equipment and software	3 - 5 years
Motor vehicles	5 years

Expenditures for major renewals and improvements of property, plant and equipment are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Board of Directors has established policies governing long-term investments, which are held within several investment accounts, based on the purposes for those investment accounts and their earnings. Investments are recorded at fair value.

Investments are allocated among the net assets with and without donor restrictions classes in the accompanying consolidated financial statements according to the absence or presence of donor restrictions. Investments are classified as non-current assets based on management's intent to hold these assets for long-term purposes.

The Organization follows an investment standard as defined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in managing the relationship between risk and return in the deployment and diversification of the investment portfolio. The Organization views risk as the likelihood of permanent loss of capital as distinct from the volatility in investment value or return. Allocation decisions emphasize absolute return over the long-term, while taking prudent risks.

Net investment return consists of dividends and interest income and realized and unrealized gains and losses less investment expenses, if any. Dividends are recorded on the ex-dividend date and interest income is recorded as earned. Realized gains and losses on investment transactions are recorded based on the first-in, first-out (FIFO) cost method. Unrealized gains and losses are based on fair value changes.

Massachusetts state law allows the Organization to appropriate as much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Contributions Receivable

Contributions receivable consist of contributions committed to program operations, acquisition of capital or endowment (see Note 7).

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding and amortization is computed using an imputed interest rate on the related loans. Unamortized debt issuance costs are reported as a reduction of the corresponding debt obligation (see Note 10).

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding

Contracts with the Commonwealth of Massachusetts and other governmental agencies, contributions and grants, and donated goods, services and facilities have been recorded in accordance with ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Under Topic 958, the Organization must determine whether the contract or contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A grant or contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. Amounts funded for conditional grants in advance of meeting the condition of the grant are recorded as conditional grant advances in the accompanying consolidating statements of financial position.

Contributions received with donor-imposed restrictions that are met in the same fiscal year as received are reported as revenues of net assets with donor restrictions. A release to net assets without donor restrictions is made to reflect the expiration of such restrictions. Contributions received with donor-imposed restrictions for the purchase or improvement of property, plant and equipment are released into net assets without donor restrictions when the property, plant or equipment is placed into service. Contributions of property, plant and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of net assets without donor restrictions.

For certain contributions of cash or other assets to be used to acquire property that bear facility use restrictions, the restrictions are considered to be released at the time the facility use restrictions of such long-lived assets are met. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from capital or facility use restrictions.

Grants and contributions of assets other than cash, including marketable securities, are recorded at their estimated fair value on the date of the gift.

Grants and contributions to be received beyond one year are discounted using the Internal Revenue Service discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions, if any.

The Organization generally measures revenue for exchange transactions based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers (i.e., developer fee and service fee contracts) based on the five-step model under ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding (Continued)

Revenue received from patient service, social enterprise and other have been recorded in accordance with Topic 606.

Patient service revenue is reported at the amount that reflects the consideration to which the Inn expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Inn bills the patients and third-party payors several days after the services are performed. Revenue is recognized in accordance with Topic 606, as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the behavioral health services provided by the Inn. Outpatient services are generally provided at a point in time (date of service) and revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to patients and the Inn does not believe it is required to provide additional goods or services related to that date of service.

The Inn determines the transaction price based on standard charges for goods and services provided (fee schedule), reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Inn's sliding fee policy, or implicit price concessions provided to uninsured patients. The Inn determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Inn determines its estimate of implicit price concessions based on its historical collection experience within a given class of patients or payors. Contractual allowances were approximately \$615,000 and \$467,000 for the years ended June 30, 2022 and 2021, respectively.

Agreements with third-party payors provide for payments at amounts less than established charges. Substantially all net patient service revenue is provided from Medicaid either directly or through a managed care arrangement. Reimbursements for Medicaid services are generally paid at prospectively determined rates per occasion of service, or per covered member.

Social enterprise revenue consists of income generated from the sale and distribution of meals and catering services and laundering services, which are recorded at the point in time services are delivered.

Other revenue primarily includes the Organization's income earned on property management fees and property leases, which are recorded as earned. Services are generally provided on an annual basis incident to separate agreements that renew annually at the election of the parties or under aspects of the operating agreements that govern the operations of the parties. These agreements specify the compensation for each annual period. Each service is considered a distinct performance obligation. The performance obligations under these agreements are satisfied evenly over the year as the entity receives the benefits provided by the Inn.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding (Continued)

Other revenue includes amounts earned for consulting services. The Inn entered into agreements with a third-party developer for technical support and operation of 111 affordable housing units (the Clarendon Project) reserved for formerly homeless individuals. In return for services that the Inn provides to the third-party developer, as defined in the agreements, the Inn will receive fees totaling \$900,000. The Inn earned and collected \$255,635 of the fees during the year ended June 30, 2022. The remaining balance of the fees is expected to be earned in fiscal year 2023. The Inn has also entered into a residential supportive services contract with the owner of the Clarendon Project that will be effective upon building occupancy for a fifteen-year period, unless earlier terminated as defined in the agreement. There were no amounts earned or collected under the residential supportive services contract during the year ended June 30, 2022.

Other revenue includes a relocation reimbursement to the Inn for a portion of its temporary occupancy expenses incurred as a result of the sale to a related party (see Note 4) of land and a building located at 3368 Washington Street, Boston, Massachusetts (3368 Washington Street) (see Note 9) which is being developed into affordable housing units. The terms of the reimbursement are included in the amended and restated operating agreement with the related party and the reimbursement is not to exceed \$768,067 and is earned as monthly expenses are incurred during the construction of 3368 Washington Street. The Inn earned \$195,524 of the reimbursement during the year ended June 30, 2022.

The Organization earned other income as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Property leases	\$ 466,506	\$ 441,846
Consulting fees	266,635	-
Relocation reimbursement	195,524	-
Rebate income	82,744	103,356
Property management fees	53,622	54,805
Miscellaneous	<u>29,314</u>	<u>74,702</u>
	<u>\$ 1,094,345</u>	<u>\$ 674,709</u>

Rental income is generated primarily from the rental of low-income housing units and is recorded when earned. The Organization also receives subsidies from certain governmental entities for providing low-income housing assistance for qualified tenants, which are recorded when earned. Rental income is not subject to either of the standards noted above.

Allowance for Doubtful Accounts

The Organization provides for losses using the allowance method. The allowance is based upon collection experience, contract terms, and other circumstances which may affect the ability of the Organization to collect. The allowance to account for such estimated uncollectable amounts is calculated and charged to bad debt expense. As specific balances are identified as uncollectible, they are written off and charged to the allowance.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are attributed to that program. In certain cases, expenses are allocable to more than one program or supporting function. These expenses are allocated based upon a reasonable basis that is consistently applied. Expenses allocated include certain salaries and wages, occupancy, equipment, transportation, and interest costs, which are allocated based upon the number of housing or shelter beds, or number of clients, supported by the program. Certain food and supplies are also allocated based upon the number of meals served by the program.

Consolidated Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support, earned income and other and operating expenses in the accompanying consolidated statements of activities. Non-operating revenue includes capital and investment activity.

Subsequent Events

Subsequent events have been evaluated through November 9, 2022, which is the date the consolidated financial statements were available to be issued. Events that met the criteria for disclosure are included in Notes 10 and 19.

4. RELATED PARTY

The Inn is the administrative member and managing agent of Upton LLC, a Massachusetts limited liability company, which operates nineteen single-room occupancy units with eighteen units rented to low and moderate-income individuals and one resident manager's unit. Upton LLC's initial occupancy began in December 2011. The Inn made a capital contribution of \$10 and holds a 1% interest in the capital, LIHTC, profits, and losses of Upton LLC. As the managing agent, the Inn receives a management fee of 5% of gross collections, not including prepaid rents, as defined in the agreement. For the years ended June 30, 2022 and 2021, management fees totaled \$16,451 and \$14,030, respectively.

Washington Pine MM LLC (Pine MM LLC) is a Massachusetts limited liability company formed on December 23, 2021, for the purpose of holding the managing member interest in Washington Pine LLC (Pine LLC). The Inn holds a majority interest in Pine MM LLC. Management, operation, and establishment of the policies for Pine MM LLC are vested with a third party, however, the Inn has input into major decisions, as defined in the operating agreement. The profits and losses of Pine MM LLC are allocated to the members in accordance with each of their membership interests. There was no activity in fiscal year ended June 30, 2022.

Pine LLC is a limited liability company formed in January 2019 for the purpose of acquiring, developing and operating property located in Boston, Massachusetts. Pine LLC was awarded 2022 LIHTC under the Code and 2022 State LIHTC.

During fiscal year 2022, Pine LLC purchased 3368 Washington Street from the Inn (see Note 9). Pine LLC will build 202 affordable housing units, of which 140 will be reserved for formerly homeless individuals to which the Inn will provide residential supportive services upon building occupancy. A third-party developer (the Developer) maintains the authority to make management decisions and acts as sole guarantor and indemnitor for Pine LLC per the operating agreement.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

4. RELATED PARTY (Continued)

As of June 30, 2022, Pine MM LLC maintains 100% ownership of Pine LLC, however, the ownership is temporary and Pine MM LLC does not maintain day-to-day control, as such, the activities of Pine LLC are not consolidated with those of the Organization.

5. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash for the years ended June 30, 2022 and 2021, includes two components: \$500,000 deposited in a bank required as collateral for both years on a certain mortgage note (see Note 10), and \$7,616,636 and \$6,086,521 as of June 30, 2022 and 2021, respectively, related to a fund created by a local government agency with the purpose to develop 200 units of affordable housing for which the Inn became fiscal sponsor during fiscal year 2018. During the year ended June 30, 2022, the Organization established a reserve from the proceeds from the sale of a property totaling \$3,500,000 (see Note 9) to fund a future housing project services reserve. Proceeds from a loan drawn in fiscal year 2018 with Eastern Bank (see Note 10) of \$2,100,000 as of and for the years ended June 30, 2022 and 2021, are required to fund capital improvements. During the fiscal year ended June 30, 2022, the Organization received the first installment of a \$5,000,000 conditional grant to provide funding for special projects as restricted by the donor; \$1,691,296 is recorded as assets limited as to use as of June 30, 2022 (see Note 12). The Organization maintains cash accounts that were established to serve as operating and replacement reserves in connection with certain mortgage notes (see Note 10). The Organization also maintains tenant security deposits and other escrows.

Assets limited as to use consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Restricted cash	\$ 8,116,636	\$ 6,586,521
Future housing project services reserve	3,500,000	-
Capital improvements - loan proceeds	2,100,000	2,100,000
Donor restricted special funding reserve	1,691,296	-
Operating reserves and escrows	751,972	751,932
Replacement reserves	681,889	660,642
Security deposits	<u>112,387</u>	<u>101,423</u>
	16,954,180	10,200,518
Less - current portion	<u>1,814,581</u>	<u>112,319</u>
	<u>\$ 15,139,599</u>	<u>\$ 10,088,199</u>

6. ACCOUNTS RECEIVABLE

The Organization's accounts receivable relating to the following services are due:

	<u>June 20, 2022</u>	<u>June 30, 2021</u>	<u>July 1, 2020</u>
Contract revenue	\$ 7,540,975	\$ 8,470,318	\$ 8,297,630
Rental income and subsidies	1,159,839	993,114	744,637
Social enterprise revenue	270,622	384,776	755,521
Patient service revenue	264,618	255,301	192,997
Other revenue	<u>1,590,686</u>	<u>214,586</u>	<u>184,430</u>
	10,826,740	10,318,095	10,175,215
Less - allowance on rental income and subsidies	<u>897,204</u>	<u>720,436</u>	<u>499,247</u>
	<u>\$ 9,929,536</u>	<u>\$ 9,597,659</u>	<u>\$ 9,675,968</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

7. CONTRIBUTIONS RECEIVABLE

The Organization has contributions receivable due as follows at June 30:

	<u>2022</u>	<u>2021</u>
Due in one year	\$ 2,906,813	\$ 5,734,764
Due in two years	1,239,720	1,624,500
Due in three years	495,000	868,000
Due in four years	106,000	520,000
Due in five years	-	160,000
	<u>4,747,533</u>	<u>8,907,264</u>
Less - current portion	2,906,813	5,734,764
Less - discount to present value of future cash flows	226,860	240,096
Less - allowance	<u>57,275</u>	<u>106,887</u>
	<u>\$ 1,556,585</u>	<u>\$ 2,825,517</u>

A discount rate of 2.8% was used to discount multi-year contributions receivable at June 30, 2022 and 2021. As of June 30, 2022, contributions from three foundations represented approximately 38% of the total contributions receivable. As of June 30, 2021, contributions from three foundations represented approximately 42% of the total contributions receivable.

8. INVESTMENTS

Investments are presented in the accompanying consolidated financial statements at fair value. The following table presents the fair value of the Organization's investments as of June 30, 2022 and 2021, all of which are valued using Level 1 inputs:

	<u>2022</u>	<u>2021</u>
Equities:		
Multi-strategy mutual funds	\$ 44,760,364	\$ 50,657,998
Multi-national mutual funds	8,056,994	9,588,353
Money market fund	<u>8,555,439</u>	<u>1,523</u>
Total mutual funds - equity investments	<u>\$ 61,372,797</u>	<u>\$ 60,247,874</u>

The underlying investments provide the Organization with exposure to global equity and fixed income securities.

Investments are not insured and are subject to market fluctuations. All investment fair values have been provided by investment managers.

Annually in advance of an operating year, the Board of Directors determines the level of total investment return that will be used to support operations, which is referred to as the Investment Spending Policy. The Investment Spending Policy uses the Organization's total long-term investments, which include donor restricted endowment funds (see Note 15), Board designated funds (see Note 14), and unrestricted funds reserved to meet current liquidity needs (see Note 16). For the years ended June 30, 2022 and 2021, the amounts used to support operations were equal to a spending rate of 4.5% of the average fair value of the Organization's long-term investments for each of the previous twelve quarterly periods.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. INVESTMENTS (Continued)

During the years ended June 30, 2022 and 2021, the Organization appropriated for operations \$1,794,277 and \$1,484,291, respectively, which is included in the accompanying consolidated statements of activities. For the years ended June 30, 2022 and 2021, \$384,381 and \$234,454, respectively, of the total spending policy transfer was funded through accumulated appreciation on the donor restricted endowment (see Note 15).

The following schedule summarizes the investment return and its classification in the accompanying consolidated statements of activities for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Net unrealized gain (loss)	\$ (13,114,292)	\$ 9,909,848
Capital gains, dividends and interest income	2,641,552	2,371,044
Net realized gains	<u>418,441</u>	<u>-</u>
Total investment return	(10,054,299)	12,280,892
Less - investment return designated for operations:		
Spending policy transfer: 4.5% formula	<u>1,794,277</u>	<u>1,484,291</u>
Investment return, net of spending policy transfer	<u>\$ (11,848,576)</u>	<u>\$ 10,796,601</u>

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,762,701	\$ 4,939,061
Buildings	32,206,138	32,764,610
Building and leasehold improvements	48,990,704	48,793,776
Furniture and fixtures	1,354,733	1,352,262
Machinery and equipment	4,054,687	3,964,487
Computer equipment and software	1,636,138	3,396,551
Motor vehicles	775,707	779,630
Construction in process	<u>1,991,442</u>	<u>264,239</u>
	95,772,250	96,254,619
Less - accumulated depreciation	52,215,454	52,884,001
Less - eliminations	<u>746,494</u>	<u>746,494</u>
	<u>\$ 42,810,302</u>	<u>\$ 42,624,124</u>

There are restrictions imposed by lenders and grantors on the use and sale of certain land, buildings and building and leasehold improvements (see Notes 10 and 11).

Depreciation was \$2,927,002 and \$2,951,734 for the years ended June 30, 2022 and 2021, respectively. Construction in process, which consists of renovations and building improvements, is not depreciated until the assets are placed in service.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Organization accounts for the carrying value of its property, plant and equipment in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. As of June 30, 2022 and 2021, the Organization has not recognized any reduction in the carrying value of its property, plant and equipment in consideration of the requirement.

During fiscal year 2022, the Inn sold land and a building (3368 Washington) to Pine LLC (see Note 4) and received sales proceeds of \$3,500,000 (see Note 5). The proceeds received in excess of the carrying value of 3368 Washington totaling \$2,236,075 are included in net gain on sale or disposals of property, plant, and equipment in the accompanying consolidated statement of activities for the year ended June 30, 2022.

10. NOTES PAYABLE

In August 2004, the Inn entered into a Bond Purchase and Guarantee Agreement with Massachusetts Development Finance Agency (MDFA) and Eastern Bank to obtain funds to repair and renovate several of its facilities. On August 12, 2004, MDFA issued a \$5,000,000 Tax Exempt Revenue Bond, which was purchased by Eastern Bank.

The proceeds of the bond purchase were loaned to the Inn and the terms of the loan are included in a Loan and Trust Agreement (the Agreement) between the three parties. The loan bears interest at a fixed rate of 5.58% for the entire term and matures in August 2024. The Inn has pledged a portion of its investments as collateral for the loan. The market value of pledged investments on June 30, 2022 and 2021, was \$1,214,509 and \$1,727,303, respectively. Subsequent to June 30, 2022, the Inn negotiated terms to change the collateral used on the loan to a minimum balance of \$800,000 of deposits on hand at Eastern Bank.

The Agreement requires the Inn to maintain one or more deposit accounts with an aggregate total of at least \$500,000 with Eastern Bank. These deposit accounts are included in restricted cash and cash equivalents in the accompanying consolidated statements of financial position (see Note 5).

In August 2020, the Inn entered into a \$5,000,000 line of credit agreement with Eastern Bank. During the fiscal year ended June 30, 2022, the line of credit's interest rate changed from the One-Month London Interbank Offered Rate (LIBOR) plus 200 basis points to the One-Month Secured Overnight Financing Rate (SOFR) plus 211 basis points (1.50% as of June 30, 2022). Interest-only payments are due monthly. The Inn shall maintain a zero balance on the loan for thirty consecutive days during each twelve-month period. The line of credit is subject to annual review for extension by the bank. Borrowings are secured by a first lien position on all deposit accounts with Eastern Bank, all business assets purchased using proceeds from the line of credit, and gross revenues of the Inn. The Inn intends to use this line of credit for working capital expenses related to the COVID-19 pandemic. As of June 30, 2022 and 2021, the Inn had not drawn on the line of credit.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. NOTES PAYABLE (Continued)

Notes payable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
\$5,000,000 commercial fixed rate loan with an interest rate of 3.84%, and 144 monthly principal and interest payments of \$30,025, maturing in August 2029. The loan is collateralized by real estate. Unamortized debt issuance costs related to the loan were \$22,326 and \$23,550 as of June 30, 2022 and 2021, respectively.	\$ 4,098,841	\$ 4,293,312
Note payable to Eastern Bank, due in monthly interest and principal installments of \$34,847, with a fixed interest rate of 5.58%, maturing in August 2024. The note is secured through an assignment of certain investments owned by the Organization. Unamortized debt issuance costs related to the note payable were \$8,225 and \$10,575 as of June 30, 2022 and 2021, respectively.	841,932	1,198,537
Vehicle capital lease obligations, due in monthly principal and interest installments ranging from \$432 to \$1,790, with interest rates between 1.7% and 11.5%, maturing through February 2025. The leases are collateralized by vehicles.	81,235	96,853
Various mortgage notes payable to City of Boston agencies, bearing interest at 1.5%, due in monthly principal and interest installments of \$485. The notes mature in February 2037 and are collateralized by real estate.	81,059	86,089
Mortgage note payable to Eastern Bank, due in monthly principal and interest installments of \$481, with a fixed interest rate of 2%, maturing through October 2026. The note is collateralized by real estate.	<u>30,010</u>	<u>35,131</u>
	5,133,077	5,709,922
Less - current portion	<u>621,375</u>	<u>597,471</u>
	<u>\$ 4,511,702</u>	<u>\$ 5,112,451</u>

Maturities of notes payable and future minimum lease payments under capital leases for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 621,375
2024	\$ 654,441
2025	\$ 305,239
2026	\$ 243,448
2027	\$ 248,383

There were no violations of covenants that management believes would cause a default in any loan agreement.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. NOTES PAYABLE (Continued)

Debt issuance costs related to the various notes payable and other debt totaling \$96,246 are shown net of accumulated amortization of \$65,695 and \$62,121 as of June 30, 2022 and 2021, respectively. Net debt issuance costs are reported in the consolidated statements of financial position as a direct reduction of the face amount of the related notes payable and other debt. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loans.

11. OTHER DEBT

Other debt consists of contingent loans from various organizations used to develop the Organization's housing and other projects. These loans generally are not required to be repaid unless the project fails to comply with use restrictions and other conditions as defined in the various loan agreements. It is the intention of the Board of Directors and the management of the Organization to comply with use restrictions and other conditions. Therefore, no interest has been accrued on these loans.

Other debt consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Various mortgage notes payable to Commonwealth of Massachusetts agencies, with 0% interest rates, maturing through November 2059. For certain mortgage notes payable, payments of principal and interest may be required in any year in which the Organization's cash receipts exceed between 105% to 115% of cash expenditures, as defined. These notes are collateralized by real estate. No principal and interest payments are required until maturity.	\$ 10,780,080	\$ 10,780,080
Various mortgage notes payable to the Commonwealth of Massachusetts, the City of Boston and Town of Brookline for loans granted through HUD programs, with interest rates between 0% to 4%, maturing through June 2058. These notes are collateralized by real estate. No principal and interest payments are required until maturity.	6,025,411	6,025,411
Various mortgage notes payable to City of Boston agencies, with interest rates between 0% and 3%, maturing through September 2105. These notes are collateralized by real estate. No principal and interest payments are required until maturity.	2,462,279	2,462,279
Mortgage note payable to Trinity Church in the City of Boston, with an interest rate of 0%, maturing in October 2036. This note is collateralized by real estate. No principal and interest payments are required until maturity.	500,000	500,000

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

11. OTHER DEBT (Continued)

	<u>2022</u>	<u>2021</u>
Beals Street LLC mortgage note payable to the Inn in the amount of \$500,000, with an interest rate of 0%. Beals Street LLC has the option to extend the maturity date of the note for a period up to the original term (fifteen years). The note is collateralized by real estate. No principal payments are required until maturity. The entire outstanding principal balance is due at maturity in August 2031.	500,000	500,000
Beals Street LLC note payable to the Inn in the amount of \$296,000, with an interest rate of 0.01%. The note shall be repayable annually from and to the extent of available cash flow, as defined in the loan agreement and in the priority set forth in such agreement. Based on cash flow generated from operations, in accordance with the terms of the loan agreement, Beals Street LLC paid \$35,468 during the fiscal year ended June 30, 2021, on this note payable. Beals Street LLC did not generate cash flow from operations and, therefore, no cash payment was made in the fiscal year ended June 30, 2022. The entire outstanding principal balance is due at maturity in April 2046.	<u>220,280</u>	<u>220,280</u>
	20,488,050	20,488,050
Less - current portion	675,000	675,000
Less - eliminations	<u>720,280</u>	<u>720,280</u>
	<u>\$ 19,092,770</u>	<u>\$ 19,092,770</u>

As of June 30, 2022, the Organization has \$675,000 of debt scheduled to mature during the fiscal year ending June 30, 2023. These notes are still in the process of being extended. There are no maturities of notes payable for the years ending June 30, 2024 through June 30, 2027.

There were no violations of covenants which management believes would cause a default in any loan agreements.

12. CONDITIONAL GRANTS

During fiscal year 2018, the Inn was awarded a \$4,000,000 conditional grant, payable in equal installments over a four-year period. As of June 30, 2022 and 2021, the Inn had cumulatively earned the full amount of the grant. Of the grant total award, \$1,000,000 is included in contributions receivable in the accompanying consolidated statement of financial position as of June 30, 2021, and was collected during fiscal year 2022.

During fiscal year 2019, the Inn was awarded a \$5,000,000 conditional grant, payable in two equal installments over a two-year period, of which the first payment of \$2,500,000 was made during fiscal year 2019 and the second payment of \$2,500,000 was made during fiscal year 2021. As of June 30, 2022 and 2021, the Inn had cumulatively earned \$5,000,000 and \$4,875,472, respectively, of the grant. As of June 30, 2021, \$124,528 of the grant had been received prior to being earned and was presented as conditional grant advances in the accompanying consolidated statement of financial position.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

12. CONDITIONAL GRANTS (Continued)

During fiscal year 2019, the Inn was awarded a \$5,000,000 conditional grant, payable over three years. As of June 30, 2022 and 2021, the Inn had cumulatively earned \$5,000,000 of the grant. As of June 30, 2021, \$1,326,590 was outstanding and is included in contributions receivable in the accompanying consolidated statement of financial position. This amount was collected during fiscal year 2022.

During fiscal year 2019, the Inn was awarded a \$1,000,000 conditional grant, payable upon the achievement of two funding milestones related to the development of 3368 Washington Street (see Notes 4 and 9). No revenue was earned prior to fiscal year 2022. As of June 30, 2022, the Inn had met one of the milestones and earned \$500,000 of the grant. The balance of the first installment of \$500,000 is included conditional grant advances in the accompanying consolidated statement of financial position.

During fiscal year 2020, the Inn was awarded a \$520,000 conditional grant, payable upon the achievement of certain milestones. Those milestones were met during the year ended June 30, 2022, and therefore, grant revenue for the entire amount of the grant was recorded during fiscal year 2022. This amount was collected during fiscal year 2022.

During fiscal year 2022, the Inn was awarded a \$5,000,000 conditional grant, payable in three installments upon the achievement of certain milestones which include capital renovations, program support and capacity building. The first installment in the amount of \$2,000,000 was funded in fiscal year 2022. As of June 30, 2022, the Inn had earned \$308,704. The unearned balance of the first installment of \$1,691,296 is included in conditional grant advances in the accompanying consolidated statement of financial position as of June 30, 2022.

Conditional grant revenue that was earned has been recorded as contributions and grants and is reflected in net assets with donor restrictions.

Conditional promises to give consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Achievement of certain milestones	\$ 5,191,296	\$ 1,520,000
Subject to matching	<u>-</u>	<u>124,528</u>
Total conditional promises to give	<u>\$ 5,191,296</u>	<u>\$ 1,644,528</u>

The Organization has also been awarded conditional grants from governmental agencies. Payment of these awards is conditional upon the Organization meeting certain progress benchmarks, incurring allowable costs, and submission of specific financial reports, as defined in the grant agreements and contracts. As of June 30, 2022, the Organization has entered into seven contracts commencing on or before July 1, 2022, totaling \$7,020,623. The Organization has earned \$1,832,299 of these contracts as of June 30, 2022, and the remaining balances will be earned through fiscal year 2026. As of June 30, 2021, the Organization had entered into four contracts commencing on or before July 1, 2021, totaling \$1,461,541, of which \$104,892 had been earned.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

13. CONTRIBUTED NONFINANCIAL ASSETS

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as donated goods, services, and facilities revenue in the accompanying consolidated statements of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization received in-kind contributions as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Use of facilities	\$ 2,155,524	\$ 2,193,642
Food	897,000	978,860
Health care services	200,000	200,000
Linens and laundry	193,883	193,851
Program support	113,536	131,900
Volunteer services	<u>97,373</u>	<u>30,570</u>
	<u>\$ 3,657,316</u>	<u>\$ 3,728,823</u>

The Organization's policy related to in-kind gifts is to utilize the donated goods, services and facilities given to carry out the mission of the Organization.

The Organization received donated use of facilities to operate one of its shelters in its emergency services program under a below market licensing agreement. A portion of the licensing agreement provided for linen and laundry and program support services. These in-kind gifts are valued annually by the licensor based on its actual costs. The Organization also received donated facilities under below market leases for three other locations for which it operates as emergency shelters and permanent supportive housing in its emergency services and permanent supportive housing programs. These in-kind gift services are valued based on market appraisals by a third-party. These amounts are included in occupancy in the accompanying consolidated statements of functional expenses.

The Organization received food from its donors and a local food bank which is used in the emergency services program and is included in food and supplies in the accompanying consolidated statements of functional expenses. Food from donors is valued based on historical donations of similar kind or on current market prices that the Organization would pay to a vendor. Food from the local food bank is valued based on the food bank's current market price.

The Organization received health care services that are provided to its guests in its emergency services program from a third party and is included in professional fees and contracted services in the accompanying consolidated statements of functional expenses. The services are valued based on a historical arrangement that the Organization has with the third party.

The Organization received linens that are distributed to its guests in its outreach programs from a third party. These items are used in the emergency services program and are included in clothing, linens, and laundry in the accompanying consolidated statements of functional expenses. These linens are valued based on current market prices that the Organization would pay to a vendor.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

13. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The Organization received volunteer services from donors who work with the Organization's clients and provided kitchen preparatory and meal services. These services are used in the emergency services program and are included in salaries and wages in the accompanying consolidated statements of functional expenses. These services are valued on an hourly basis at the current state's minimum wage.

All in-kind gifts received by the Organization for the years ended June 30, 2022 and 2021, were considered without donor restrictions and are able to be used by the Organization as determined by management.

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs but which do not meet the criteria for consolidated financial statement recognition.

14. BOARD DESIGNATED NET ASSETS

The Organization's Board of Directors has designated a portion of the net assets without donor restrictions for the following specific purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Board designated funds functioning as endowment		
- housing sustainability fund (see Note 16)	\$ 7,667,343	\$ -
Capital improvements replacement reserve	5,000,000	5,000,000
Mortgage interest reserve	2,416,000	2,327,000
Real estate fair value reserve	1,546,000	1,891,000
Housing operations reserve	1,200,000	1,200,000
Tax-credit guaranty reserve	<u>800,000</u>	<u>800,000</u>
	<u>\$ 18,629,343</u>	<u>\$ 11,218,000</u>

A fund designated by the Board of Directors functions as an endowment to support the Inn's permanent housing financial sustainability goals.

A capital improvements replacement reserve anticipates the future repair and replacement of existing plant and equipment assets and the development of additional permanent housing units.

Though the Organization is confident that, in all likelihood, it will not be required to repay any interest allowed to be deferred until maturity on government financed debt and, accordingly, has not accrued such interest in the accompanying consolidated financial statements; a mortgage interest reserve offsets any potential obligation that the Organization might have to pay for such deferred interest.

A real estate fair value reserve reflects the financial impact that some of the Organization's property assets have mortgage and debt obligations that exceeds their fair market value.

A housing operations reserve supports the Organization's commitment from a prior capital campaign to fund a ten-year reserve for its permanent housing operations. The Board increased its designation during the fiscal year ended June 30, 2021, to \$1,200,000 to designate net assets without donor restrictions to extend the availability of this housing operations reserve through June 30, 2024.

PINE STREET INN, INC. AND AFFILIATESNotes to Consolidated Financial Statements
June 30, 2022 and 2021**14. BOARD DESIGNATED NET ASSETS (Continued)**

A tax-credit guaranty reserve supports a guaranty agreement that the Organization has with the investment member of Beals Street LLC. During the fiscal year ended June 30, 2021, the Board increased its designation to \$800,000 to meet the full guaranty amount. The Board has designated to management the maintenance of these reserves.

15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specified purposes:		
Program operations	\$ 9,690,230	\$ 18,411,232
Acquisition and rehabilitation of buildings and equipment	9,667,744	8,583,718
Time	<u>1,045,000</u>	<u>100,000</u>
	<u>20,402,974</u>	<u>27,094,950</u>
Not subject to appropriation or expenditure:		
Facility use restrictions:		
Low-income housing expired in 2018	-	500,000
Low-income housing expired in 2021	-	194,008
Low-income housing expiring in 2030	500,000	500,000
Low-income housing expiring in 2043	1,228,582	1,228,582
Low-income housing expiring at the earlier date of the termination of a related lease or in perpetuity	<u>836,294</u>	<u>-</u>
	<u>2,564,876</u>	<u>2,422,590</u>
Principal corpus of endowment for which appreciation, once appropriated, is available to support:		
Housing sustainability fund	16,763,572	15,637,443
General support of operations	2,242,062	2,242,062
Martha MacDowell Carpenter fund	496,790	496,790
Phillip Worden housing support for elderly men	100,000	100,000
Estelle's Garden maintenance	100,000	100,000
Accumulated appreciation on donor restricted endowment investments	<u>445,230</u>	<u>4,103,219</u>
	<u>20,147,654</u>	<u>22,679,514</u>
Total net assets with donor restrictions	<u>\$ 43,115,504</u>	<u>\$ 52,197,054</u>

The low-income housing restrictions that expired in 2018 and 2021, respectively, were released by the funders during fiscal year 2022.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

16. ENDOWMENT

As required by GAAP, the Organization's net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted an Investment Spending Policy (see Note 8) for endowment assets that attempts to provide a predictable stream of funding to programs and general operations supported by its endowment while seeking to maintain the inflation-adjusted purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is to attain or exceed an average annual total return equal to a spending rate of 4.5% plus inflation as measured by annualized percentage change in the Consumer Price Index - Urban over a rolling five-year period. Actual returns in any given year may vary from this amount.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are perpetual in nature or time restricted until the Board of Directors appropriates such amounts for expenditures. Most of these assets are also subject to purpose restrictions that must be met before reclassifying those net assets with donor restrictions.

From time-to-time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as funds of perpetual duration and create an underwater endowment. No deficiencies of such nature existed for the fiscal years ended June 30, 2022 and 2021. If a deficiency were to exist, the Board of Directors has interpreted UPMIFA to permit spending from underwater endowments in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate appreciation on donor restricted endowment investments:

- (1) The duration and preservation of the funds
- (2) The purposes of the Organization and the donor restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The Organization's investment policy

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

16. ENDOWMENT (Continued)

Following is a summary of the Organization's endowment as of June 30:

	<u>2022</u>	<u>2021</u>
Donor restricted endowment funds:		
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ 19,702,424	\$ 18,576,295
Accumulated investment return, net	<u>445,230</u>	<u>4,103,219</u>
Total donor restricted endowment funds	<u>20,147,654</u>	<u>22,679,514</u>
Endowment funds without donor restrictions (see Note 14):		
Original Board designated amounts functioning as endowment	8,351,428	-
Accumulated investment return, net	<u>(684,085)</u>	<u>-</u>
Total endowment funds without donor restrictions	<u>7,667,343</u>	<u>-</u>
Endowment net assets	<u>\$ 27,814,997</u>	<u>\$ 22,679,514</u>

Changes in endowment net assets for the years ended June 30, 2022 and 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ 16,934,916	\$ 16,934,916
Contributions	-	2,561,089	2,561,089
Investment return, net	-	3,417,963	3,417,963
Spending policy transfer (see Note 8)	<u>-</u>	<u>(234,454)</u>	<u>(234,454)</u>
Endowment net assets, June 30, 2021	-	22,679,514	22,679,514
Contributions	8,351,428	1,126,129	9,477,557
Investment return, net	(684,085)	(3,273,608)	(3,957,693)
Spending policy transfer (see Note 8)	<u>-</u>	<u>(384,381)</u>	<u>(384,381)</u>
Endowment net assets, June 30, 2022	<u>\$ 7,667,343</u>	<u>\$ 20,147,654</u>	<u>\$ 27,814,997</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the consolidated statements of financial position date for general operating expenses as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 24,517,227	\$ 28,154,132
Current portion of accounts receivable, net	9,929,536	9,597,659
Current portion of contributions receivable, net	<u>2,906,813</u>	<u>5,734,764</u>
Total financial assets	37,353,576	43,486,555
Less - contractual or donor-imposed restrictions:		
Donor-imposed restrictions, net of amounts intended to be used within one year	<u>5,380,493</u>	<u>16,350,966</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 31,973,083</u>	<u>\$ 27,135,589</u>

The Organization has a goal to maintain financial assets consisting primarily of cash and liquid investments on hand to meet at least 180 days of normal operating expenses, which average approximately \$40,000,000 and \$35,000,000 for the years ended June 30, 2022 and 2021, respectively, and structures its financial assets to be available as general expenditures, liabilities and other obligations become due. To achieve this goal, as of June 30, 2022 and 2021, the Organization has \$31,973,083 and \$27,135,589, respectively, of financial assets available within one year of the consolidated statements of financial position date. None of these financial assets are subject to donor or other contractual restrictions that would make them unavailable for use within the next year. In addition, for the year ended June 30, 2022, the Organization has Board designated reserves of \$10,962,000, Board designated funds functioning as endowment of \$7,667,343, and other undesignated long-term investments totaling approximately \$24,676,000. For the year ended June 30, 2021, the Organization has Board designated reserves of \$11,218,000 and other undesignated long-term investments totaling approximately \$32,740,000. These funds could be made available to fund expenditures, if necessary, although the Organization does not currently intend to spend from these funds. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term, interest earning investments, including savings accounts, money markets, certificates of deposit, and United States Treasury bills. In addition, the Inn maintains a line of credit for working capital expenses related to the COVID-19 pandemic (see Note 10).

18. PROPERTY LEASES

The Organization leases a portion of its facility at 363 Albany Street, Boston, Massachusetts to two tenants. These leases expire through October 2032. These leases required payments totaling \$369,071 and \$359,067 for the years ended June 30, 2022 and 2021, respectively.

The Organization leases certain properties to another unrelated not-for-profit organization on an annual basis with monthly charges ranging between \$2,116 and \$3,281. These leases were extended through June 30, 2023. These leases required payments totaling \$97,435 and \$82,779 for the years ended June 30, 2022 and 2021, respectively.

Rental revenue from the above leases for the years ended June 30, 2022 and 2021, was \$466,506 and \$441,846, respectively, and is included in other revenue in the accompanying consolidated statements of activities.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

18. PROPERTY LEASES (Continued)

Future receipts under these leases for the next five years are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 457,359
2024	319,360
2025	290,400
2026	290,400
2027	<u>290,400</u>
	<u>\$ 1,647,919</u>

19. OPERATING LEASES

The Organization leases office and program space, and program, office, and network equipment under various operating leases expiring through January 2041. Lease expense for the years ended June 30, 2022 and 2021, was \$4,483,440 and \$4,624,917, respectively, and is included in both occupancy and equipment expenses in the accompanying consolidated statements of functional expenses.

The Organization leases apartments for its housing program under various operating leases expiring through June 2039. Lease expense for the apartments for the years ended June 30, 2022 and 2021, was \$1,341,825 and \$1,587,501, respectively, and is included in occupancy in the accompanying consolidated statements of functional expenses.

One of these leases is a ninety-nine-year ground lease with the City of Boston for the Organization's main facility that expires in May 2100. The annual lease expense is \$1, and the entire lease expense was prepaid at the inception of the lease. This lease has not been recorded as a capital lease due to the uncertainty of the building's value at lease inception.

Subsequent to June 30, 2022, the Organization exercised its right of first offer in the ground lease to acquire the main facility from the City of Boston. In return for nominal consideration, the Organization accepted a restrictive covenant limiting the facility's future use primarily to shelter and ancillary services for the homeless and affordable housing for the formerly homeless, as defined in the agreement. The ground lease was terminated.

Remaining minimum lease commitments under existing leases are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 5,622,082
2024	1,861,733
2025	1,508,612
2026	1,478,676
2027	1,468,596
Thereafter	<u>18,806,558</u>
	<u>\$ 30,746,257</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

20. RETIREMENT PLAN

The Inn has a contributory retirement plan pursuant to Section 403(b) (the 403(b) Plan) of the IRC covering substantially all full-time employees. Under the 403(b) Plan, the Inn may fund annual contributions, at the discretion of the Board of Directors, to employees who have satisfied one year of eligible service and are employed by the Inn on December 31st. Contributions to eligible employee accounts are based upon the ratio of the employee's compensation to the compensation of all eligible employees and on the employee's years of service. During fiscal years 2022 and 2021, the Inn incurred annual expenses of \$584,000 and \$593,000, respectively, as contributions to the 403(b) Plan. These amounts are included in employee benefits and payroll taxes in the accompanying consolidated statements of functional expenses. As of June 30, 2022 and 2021, \$876,000 and \$843,000, respectively, were included in accrued expenses and other liabilities in the accompanying consolidated statements of financial position. These amounts were paid in the following fiscal year.

The Inn also has an unqualified plan pursuant to Section 457 of the IRC (the 457 Plan). For the years ended June 30, 2022 and 2021, the Inn did not make contributions to the 457 Plan. The assets of the 457 Plan as of June 30, 2022 and 2021, were \$56,498 and \$65,144, respectively. These assets are included as other assets in the accompanying consolidated statements of financial position. The related liability is included in accrued expenses and other liabilities in the accompanying consolidated statements of financial position.

21. CONCENTRATIONS

The Organization received 32% and 37% of its total unrestricted operating revenues through contracts from the Commonwealth of Massachusetts, Department of Housing and Community Development for the years ended June 30, 2022 and 2021, respectively. Approximately 27% and 48% of accounts receivable was due from the Commonwealth of Massachusetts, Department of Housing and Community Development at June 30, 2022 and 2021, respectively. Approximately 14% and 10% of total unrestricted operating revenues was received from contracts through the City of Boston Mayor's Office of Housing for the years ended June 30, 2022 and 2021, respectively. Approximately 22% and 21% of accounts receivable was due from the City of Boston, Department of Neighborhood Development at June 30, 2022 and 2021, respectively.

22. CONTINGENCIES

As part of the acquisition of the 1734 Washington Street Limited Partnership in 2006, the Organization executed a residual receipt promissory note with each of the former investor limited partners. Through these notes, the Organization pledged, upon the sale of the real estate at 1734 Washington Street, to pay the previous limited partners \$216,882 and 100% of the proceeds from the sale of the real estate at 1734 Washington Street. If the sale of the real estate did not occur prior to the maturity date of the notes, the pledges were to be extinguished without subsequent payment of the pledged amounts. The notes matured on March 31, 2011, and the Organization is waiting for the release of the notes to dissolve the 1734 Washington Street Limited Partnership.

The Inn is the guarantor of Beals Street LLC for certain financial obligations of operations of the property up to \$800,000 that expire in 2031. Per the Beals Street LLC operating agreement, Beals MM LLC and the Inn shall at all times maintain a consolidated net worth which satisfies the Designated Net Worth Requirements of \$2,000,000.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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22. CONTINGENCIES (Continued)

The Inn has right of first refusal to purchase the property in the event that Beals Street LLC proposes to sell, transfer, assign, or lease all or substantially all of its interest in the property after the expiration of the LIHTC Compliance Period. The Inn would be required to continue to maintain the property as low-income housing (see Note 1). The purchase price under this agreement is the lesser of the sum of all outstanding debts secured by the property and related accrued interest and all taxes attributable to the sale or the fair market value of the property.

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Organization expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

In the ordinary course of the Organization's business, the Organization is, from time-to-time, involved in disputes concerning employment of individuals with the Organization and/or litigation with outside parties. The Organization denies any wrongdoing in these cases and takes the appropriate legal steps in defense of these disputes. It is the Organization's opinion that any potential settlement would not be material to the accompanying consolidated financial statements.

23. RECLASSIFICATIONS

Certain amounts in the fiscal year 2021 consolidated financial statements have been reclassified to conform with the fiscal year 2022 presentation.