



Pine Street Inn

Ending Homelessness

AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

PINE STREET INN, INC. AND AFFILIATES

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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 13, 2024

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Financial Position
June 30, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 30,399,534	\$ 24,921,211
Current portion of restricted cash and cash equivalents	1,510,778	2,213,145
Accounts receivable, net	12,513,292	13,763,468
Current portion of contributions receivable	2,718,000	1,937,845
Prepaid expenses and other current assets	549,673	493,026
Total current assets	<u>47,691,277</u>	<u>43,328,695</u>
Restricted Cash and Cash Equivalents, net of current portion	14,765,022	13,996,850
Contributions Receivable, net	224,349	554,893
Investments	77,706,568	69,881,082
Property, Plant and Equipment, net	48,435,840	47,739,588
Right-of-Use Assets - Finance	258,876	245,851
Right-of-Use Assets - Operating	24,048,842	20,104,763
Other Assets	346,125	287,346
Total assets	<u>\$ 213,476,899</u>	<u>\$ 196,139,068</u>
Liabilities and Entities' Net Assets		
Current Liabilities:		
Current portion of notes payable	\$ 296,845	\$ 619,414
Current portion of other debt	150,000	420,000
Current portion of finance lease liabilities	76,002	74,908
Current portion of operating lease liabilities	2,360,457	2,034,026
Accounts payable	2,265,432	2,735,595
Accrued expenses and other liabilities	6,684,434	6,390,853
Conditional grant advances	1,384,743	2,086,441
Total current liabilities	<u>13,217,913</u>	<u>14,361,237</u>
Long-Term Liabilities:		
Notes payable, net of current portion and unamortized debt issuance costs	3,545,598	3,842,433
Other debt, net of current portion	19,617,770	19,347,796
Finance lease liabilities, net of current portion	177,402	175,349
Operating lease liabilities, net of current portion	21,693,054	18,070,735
Total liabilities	<u>58,251,737</u>	<u>55,797,550</u>
Entities' Net Assets:		
Without donor restrictions:		
Available for operations	65,214,556	56,452,042
Board designated	20,648,224	17,815,262
Net investment in plant	23,337,115	22,498,220
Total without donor restrictions	<u>109,199,895</u>	<u>96,765,524</u>
With donor restrictions	44,653,775	42,035,524
Total entities' net assets	<u>153,853,670</u>	<u>138,801,048</u>
Non-controlling interest	1,371,492	1,540,470
Total net assets	<u>155,225,162</u>	<u>140,341,518</u>
Total liabilities and net assets	<u>\$ 213,476,899</u>	<u>\$ 196,139,068</u>

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Activities
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Contract revenue	\$ 55,300,336	\$ -	\$ 55,300,336	\$ 56,786,339	\$ -	\$ 56,786,339
Contributions and grants	19,391,233	5,135,382	24,526,615	17,304,435	3,288,188	20,592,623
Rental income and subsidies	5,531,322	-	5,531,322	4,510,161	-	4,510,161
Patient service revenue	4,184,037	-	4,184,037	2,962,221	-	2,962,221
Social enterprise revenue	3,811,404	-	3,811,404	2,607,168	-	2,607,168
Donated goods, services and facilities	3,095,825	-	3,095,825	2,885,682	-	2,885,682
Other revenue	2,771,933	-	2,771,933	2,035,755	-	2,035,755
Spending policy transfer	2,649,120	-	2,649,120	2,232,572	-	2,232,572
Net assets released from program restrictions	3,615,574	(3,615,574)	-	4,663,989	(4,663,989)	-
Net assets released from time restrictions	515,000	(515,000)	-	1,015,000	(1,015,000)	-
Total operating revenues	<u>100,865,784</u>	<u>1,004,808</u>	<u>101,870,592</u>	<u>97,003,322</u>	<u>(2,390,801)</u>	<u>94,612,521</u>
Operating Expenses:						
Emergency services	32,367,694	-	32,367,694	33,619,883	-	33,619,883
Permanent supportive housing	28,798,692	-	28,798,692	26,022,012	-	26,022,012
Housing placement	10,009,317	-	10,009,317	11,409,832	-	11,409,832
Workforce development	4,065,800	-	4,065,800	3,652,433	-	3,652,433
Substance abuse treatment	1,473,919	-	1,473,919	1,736,234	-	1,736,234
General and administrative	12,564,240	-	12,564,240	11,801,861	-	11,801,861
Fundraising and development	5,316,448	-	5,316,448	5,058,362	-	5,058,362
Total operating expenses	<u>94,596,110</u>	<u>-</u>	<u>94,596,110</u>	<u>93,300,617</u>	<u>-</u>	<u>93,300,617</u>
Changes in net assets from operations	<u>6,269,674</u>	<u>1,004,808</u>	<u>7,274,482</u>	<u>3,702,705</u>	<u>(2,390,801)</u>	<u>1,311,904</u>
Non-Operating Activity:						
Total investment return	5,700,764	1,926,922	7,627,686	5,396,871	2,053,372	7,450,243
Capital contributions and grants	-	2,539,096	2,539,096	5,267,820	1,623,749	6,891,569
Endowment contributions	-	91,500	91,500	-	267,500	267,500
Spending policy transfer	(1,842,143)	(806,977)	(2,649,120)	(1,612,514)	(620,058)	(2,232,572)
Net assets released from capital restrictions	2,137,098	(2,137,098)	-	2,013,742	(2,013,742)	-
Total non-operating activity	<u>5,995,719</u>	<u>1,613,443</u>	<u>7,609,162</u>	<u>11,065,919</u>	<u>1,310,821</u>	<u>12,376,740</u>
Changes in net assets	<u>12,265,393</u>	<u>2,618,251</u>	<u>14,883,644</u>	<u>14,768,624</u>	<u>(1,079,980)</u>	<u>13,688,644</u>
Changes in Net Assets Attributable to Non-Controlling Interest	<u>168,978</u>	<u>-</u>	<u>168,978</u>	<u>103,259</u>	<u>-</u>	<u>103,259</u>
Changes in net assets attributable to Pine Street entities	<u>\$ 12,434,371</u>	<u>\$ 2,618,251</u>	<u>\$ 15,052,622</u>	<u>\$ 14,871,883</u>	<u>\$ (1,079,980)</u>	<u>\$ 13,791,903</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, 2024 and 2023

Entities' Net Assets, June 30, 2022	\$ 126,652,874
Changes in net assets	<u>13,688,644</u>
Entities' Net Assets, June 30, 2023	140,341,518
Changes in net assets	<u>14,883,644</u>
Entities' Net Assets, June 30, 2024	<u><u>\$ 155,225,162</u></u>

PINE STREET INN, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	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	
2024										
Salaries and wages	\$ 14,460,555	\$ 11,721,219	\$ 4,077,114	\$ 1,606,609	\$ 900,763	\$ 32,766,260	\$ 6,054,662	\$ 2,684,613	\$ 8,739,275	\$ 41,505,535
Employee benefits and payroll taxes	3,199,939	2,499,264	984,188	296,884	216,959	7,197,234	1,369,157	662,486	2,031,643	9,228,877
Total personnel and related costs	17,660,494	14,220,483	5,061,302	1,903,493	1,117,722	39,963,494	7,423,819	3,347,099	10,770,918	50,734,412
Occupancy	5,346,501	8,844,854	178,853	46,258	2,783	14,419,249	324,384	-	324,384	14,743,633
Professional fees and contracted services	3,870,627	2,330,824	660,128	53,274	305,787	7,220,640	3,520,343	486,636	4,006,979	11,227,619
Food and supplies	3,662,717	789,378	134,842	1,756,872	11,930	6,355,739	161,413	70,130	231,543	6,587,282
Client support and assistance	149,142	44,683	3,094,229	-	-	3,288,054	-	-	-	3,288,054
Postage, printing and telephone	178,803	202,684	40,792	102,159	12,321	536,759	178,669	773,964	952,633	1,489,392
Equipment expenses	500,427	470,684	379,013	162	2,561	1,352,847	1,996	61,274	63,270	1,416,117
Other	108,160	80,362	22,841	49,574	5,678	266,615	502,228	456,222	958,450	1,225,065
Transportation	344,239	219,028	137,413	15,286	15,137	731,103	32,263	10,273	42,536	773,639
Interest	1,414	2,122	-	-	-	3,536	169,123	-	169,123	172,659
Clothing, linens and laundry	91,246	4,802	-	-	-	96,048	-	-	-	96,048
Total expenses before depreciation	31,913,770	27,209,904	9,709,413	3,927,078	1,473,919	74,234,084	12,314,238	5,205,598	17,519,836	91,753,920
Depreciation	453,924	1,588,788	299,904	138,722	-	2,481,338	250,002	110,850	360,852	2,842,190
Total expenses	\$ 32,367,694	\$ 28,798,692	\$ 10,009,317	\$ 4,065,800	\$ 1,473,919	\$ 76,715,422	\$ 12,564,240	\$ 5,316,448	\$ 17,880,688	\$ 94,596,110
2023										
Salaries and wages	\$ 14,344,566	\$ 10,060,851	\$ 4,105,319	\$ 1,498,876	\$ 1,154,007	\$ 31,163,619	\$ 5,531,090	\$ 2,385,840	\$ 7,916,930	\$ 39,080,549
Employee benefits and payroll taxes	3,175,710	2,374,906	956,987	253,022	268,974	7,029,599	1,212,936	552,226	1,765,162	8,794,761
Total personnel and related costs	17,520,276	12,435,757	5,062,306	1,751,898	1,422,981	38,193,218	6,744,026	2,938,066	9,682,092	47,875,310
Occupancy	7,395,840	8,362,135	282,340	3,015	2,327	16,045,657	461,877	-	461,877	16,507,534
Professional fees and contracted services	3,877,555	2,002,987	727,563	106,337	256,958	6,971,400	3,132,022	504,179	3,636,201	10,607,601
Food and supplies	3,163,271	704,112	121,394	1,458,481	14,009	5,461,267	125,169	154,980	280,149	5,741,416
Client support and assistance	58,662	57,141	4,257,488	-	-	4,373,291	-	-	-	4,373,291
Postage, printing and telephone	180,496	184,758	46,882	140,294	15,265	567,695	156,932	856,278	1,013,210	1,580,905
Equipment expenses	338,632	423,983	476,201	70	3,208	1,242,094	33,311	64,117	97,428	1,339,522
Other	136,732	70,031	40,428	24,675	6,171	278,037	635,762	429,131	1,064,893	1,342,930
Transportation	426,804	187,515	113,106	17,909	15,315	760,649	27,813	3,060	30,873	791,522
Interest	3,874	3,621	-	-	-	7,495	198,801	-	198,801	206,296
Clothing, linens and laundry	180,078	5,180	-	-	-	185,258	-	-	-	185,258
Total expenses before depreciation	33,282,220	24,437,220	11,127,708	3,502,679	1,736,234	74,086,061	11,515,713	4,949,811	16,465,524	90,551,585
Depreciation	337,663	1,584,792	282,124	149,754	-	2,354,333	286,148	108,551	394,699	2,749,032
Total expenses	\$ 33,619,883	\$ 26,022,012	\$ 11,409,832	\$ 3,652,433	\$ 1,736,234	\$ 76,440,394	\$ 11,801,861	\$ 5,058,362	\$ 16,860,223	\$ 93,300,617

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 14,883,644	\$ 13,688,644
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,842,190	2,749,032
Amortization of debt issuance costs	3,575	3,575
Non-cash lease expenses	1,918,988	2,211,236
Amortization of right-of-use assets - finance	78,898	44,830
Bad debt	212,679	461,704
Net realized and unrealized gains on investments	(6,781,613)	(5,765,137)
Endowment contributions	(91,500)	(267,500)
Capital contributions and grants	(2,539,096)	(6,891,569)
Net gain on sale of property, plant and equipment	(19,350)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,046,817	(4,232,710)
Contributions receivable	(1,198,931)	1,122,734
Prepaid expenses and other current assets	(56,647)	785,155
Accounts payable	(493,213)	(275,634)
Accrued expenses and other liabilities	293,581	1,401,306
Change in operating lease liabilities	(1,914,317)	(2,211,236)
Conditional grant advances	(701,698)	395,145
Net cash provided by operating activities	<u>7,484,007</u>	<u>3,219,575</u>
Cash Flows from Investing Activities:		
Purchase of investments	(8,283,070)	(100,153,304)
Proceeds from sale of investments	7,239,197	97,410,156
Purchases of property, plant and equipment	(3,514,332)	(2,840,626)
Proceeds from sale of property, plant and equipment	19,350	-
Other assets	(59,839)	(14,696)
Net cash used in investing activities	<u>(4,598,694)</u>	<u>(5,598,470)</u>
Cash Flows from Financing Activities:		
Capital contributions and grants collected	2,814,096	1,838,749
Endowment contributions collected	556,500	837,500
Principal payments on notes payable and other debt	(623,005)	(593,544)
Payments on finance lease obligations	(88,776)	(44,011)
Net cash provided by financing activities	<u>2,658,815</u>	<u>2,038,694</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	5,544,128	(340,201)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>41,131,206</u>	<u>41,471,407</u>
End of year	<u>\$ 46,675,334</u>	<u>\$ 41,131,206</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 30,399,534	\$ 24,921,211
Current portion of restricted cash and cash equivalents	1,510,778	2,213,145
Restricted cash and cash equivalents, net of current portion	<u>14,765,022</u>	<u>13,996,850</u>
Total cash, cash equivalents and restricted cash	<u>\$ 46,675,334</u>	<u>\$ 41,131,206</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 172,659</u>	<u>\$ 206,296</u>
Construction in process placed in service	<u>\$ 1,252,158</u>	<u>\$ 1,825,334</u>
Unrealized gains on investments	<u>\$ 6,468,090</u>	<u>\$ 7,610,805</u>
Property, plant and equipment financed through accounts payable	<u>\$ 37,500</u>	<u>\$ 14,450</u>
Donated property, plant and equipment	<u>\$ -</u>	<u>\$ 5,267,820</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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 23).

Other Entities Related to the Inn Includes:

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, 2024 and 2023

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, 2024 and 2023. As of June 30, 2024, and 2023, respectively the Inn has Federal net operating loss carryforwards (NOLs) related to UBTI of \$6,446,577. 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 the current year taxable income. As of June 30, 2024 and 2023, respectively the Inn has state NOLs related to UBTI of \$4,940,810. 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 June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through changes in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial instruments held by the Organization that are subject to the guidance in Topic 326 were patient service revenue accounts receivable and social enterprise revenue accounts receivable. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023. 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 15 and 17).

Net Investment in Plant represents funds used in activities relating to the Organization's property, plant and equipment and right-of-use (ROU) assets, net of related debt and lease liabilities.

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 16).

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 (see Note 16).

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, 2024 and 2023

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 prior to the adoption of Topic 842) 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.

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.

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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Investments

Investments are recorded in the consolidated financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. The Organization also holds investments within its investment portfolio that are reported at the net asset value (NAV) reported by the fund, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investments will be sold for an amount different from NAV. As of June 30, 2024 and 2023, the Organization had no plans to sell investments at amounts different from NAV. A summary of inputs used in valuing the Organization's investments as of June 30, 2024 and 2023, is included in Note 8.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

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 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 regardless of the maturity or liquidity of each investment vehicle.

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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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, capital activity or endowment (see Note 7).

Leases

Lessee

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines such assets are leased because the Organization has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings, apartments, equipment, and vehicles. The Organization has elected the practical expedient to combine lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the U.S. Department of the Treasury risk-free rate based on the information available at the lease commencement date to determine the present value of lease payments.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Lessee (Continued)

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of twelve months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Lessor

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) and determines lease classification as operating, sales-type and direct financing at inception. The Organization only reassess its determination if the terms and conditions of the arrangement are changed. Leases with terms, including renewal options, of twelve months or less are treated as short-term leases. The Organization has elected to combine lease and non-lease components as a single component.

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).

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 consolidated statements of financial position.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding (Continued)

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 corresponding 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 are 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's discount rate. Amortization of the discount is recorded as additional contribution revenue 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.

Revenue received from patient service, social enterprise and certain amounts included in 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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding (Continued)

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.

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, which are recorded at the point in time services are delivered.

Other revenue includes the Organization's income earned for property management services 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.

Other revenue includes the Organization's rental income earned on property leases, which are recorded on a straight-line basis over the lease term. The Organization leases property to three different tenants under separate agreements expiring through October 2032 (see Note 19).

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 \$275,806 and \$180,000 of the fees during the years ended June 30, 2024 and 2023, respectively; which is in addition to the \$195,524 earned and collected in fiscal year 2022. The remaining balance of the fees is expected to be earned in fiscal year 2025. 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 years ended June 30, 2024 and 2023.

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 \$255,890 and \$277,317 of the reimbursement during the years ended June 30, 2024 and 2023, respectively.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Funding (Continued)

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

	<u>2024</u>	<u>2023</u>
Interest income	\$ 1,259,213	\$ 800,176
Property leases	698,749	468,415
Consulting fees	275,806	180,000
Relocation reimbursement	255,890	277,317
Rebate income	130,337	141,941
Property management fees	77,540	68,305
Miscellaneous	74,398	99,601
	<u>\$ 2,771,933</u>	<u>\$ 2,035,755</u>

Rental income and subsidies are accounted for in accordance with Topic 842 and are recognized over the rental period. Advance receipts of rental income and subsidies are classified as liabilities (prepaid rent) until earned. Rental income is generated primarily from the rental of low-income housing units to various tenants for a period of twelve months or less. The lease agreements may contain renewals for a period of twelve months or less and do not require any variable lease payments. Because of the uncertainty of tenants' renewals and the existence of a mutual termination clause in the lease agreements, the Organization treats all residential leases as short-term leases. The Organization also receives subsidies from certain governmental entities for providing low-income housing assistance to qualified tenants, which are also accounted for in accordance with Topic 842.

Allowance for Expected Credit Losses

Patent and social enterprise accounts receivable are stated at the amount the Organization expects to collect. The Organization maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to changes in net assets and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for contracts receivables is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible. The allowance is based upon collection experience and other circumstances which may affect the ability of the Organization to collect. The Organization writes off uncollectible contracts receivables upon determining they will not be collected.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable

Patient accounts receivable are included in accounts receivable in the accompanying consolidated statements of financial position.

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 revenues 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 13, 2024, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for disclosure.

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, 2024 and 2023, management fees totaled \$13,265 and \$12,675, 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 years ended June 30, 2024 and 2023.

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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

4. RELATED PARTY (Continued)

During fiscal year 2023, 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.

As of June 30, 2024, 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, 2024 and 2023, includes two components: \$800,000 as of June 30, 2024 and 2023, deposited in a bank required as collateral for both years on a certain mortgage note (see Note 10), and \$8,542,573 and \$7,962,926 as of June 30, 2024 and 2023, 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, 2023, 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. Interest income earned during the year accumulates in the account balance.

During the fiscal years ended June 30, 2024 and 2023, the Organization received installments of \$500,000 and \$2,000,000, respectively, on a \$5,500,000 conditional grant to provide funding for special projects as restricted by the donor; which is in addition to the \$2,000,000 received in the fiscal year ended June 30, 2022. The Organization received the first installment of \$167,000 on an additional \$500,000 conditional grant to provide funding for a special project as restricted by the donor; \$1,384,743 and \$2,086,441 of the cumulative amounts collected are included in conditional advances received by Organizations B and D as of June 30, 2024 and 2023, respectively (see Note 13). 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.

Restricted cash and cash equivalents consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Restricted cash	\$ 9,342,573	\$ 8,762,926
Future housing project services reserve	3,707,685	3,569,647
Conditional advances	1,384,743	2,086,441
Replacement reserves	972,035	922,510
Operating reserves and escrows	753,639	752,669
Security deposits	<u>115,125</u>	<u>115,802</u>
	16,275,800	16,209,995
Less - current portion	<u>1,510,778</u>	<u>2,213,145</u>
	<u>\$ 14,765,022</u>	<u>\$ 13,996,850</u>

PINE STREET INN, INC. AND AFFILIATESNotes to Consolidated Financial Statements
June 30, 2024 and 2023**6. ACCOUNTS RECEIVABLE**

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Contract revenue	\$ 9,274,211	\$ 11,254,001	\$ 7,540,975
Rental income and subsidies	2,028,748	1,607,254	1,159,839
Patient service revenue	1,550,610	1,130,389	264,618
Social enterprise revenue	753,042	408,487	270,622
Other revenue	<u>167,199</u>	<u>613,675</u>	<u>1,590,686</u>
	13,773,810	15,013,806	10,826,740
Less - allowance for doubtful accounts on rental income and subsidies	<u>1,260,518</u>	<u>1,250,338</u>	<u>897,204</u>
	<u>\$ 12,513,292</u>	<u>\$ 13,763,468</u>	<u>\$ 9,929,536</u>

7. CONTRIBUTIONS RECEIVABLE

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

	<u>2024</u>	<u>2023</u>
Due in one year	\$ 2,718,000	\$ 1,937,845
Due in two years	156,000	538,500
Due in three years	50,000	106,000
Due in four years	50,000	-
Due in five years	<u>50,000</u>	<u>-</u>
	3,024,000	2,582,345
Less - current portion	2,718,000	1,937,845
Less - discount to present value of future cash flows	45,363	58,620
Less - allowance	<u>36,288</u>	<u>30,987</u>
	<u>\$ 224,349</u>	<u>\$ 554,893</u>

A discount rate of 5.6% and 4.2% was used to discount multi-year contributions receivable at June 30, 2024 and 2023, respectively. As of June 30, 2024, contributions from two foundations represented approximately 34% of the total contributions receivable. As of June 30, 2023, contributions from three foundations represented approximately 43% of the total contributions receivable.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

8. INVESTMENTS

Fair value measurement was determined using the following inputs at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-US equities	\$ 21,211,938	\$ -	\$ -	\$ 21,211,938
Fixed income	10,283,866	3,249,213	-	13,533,079
US equities	10,499,879	-	-	10,499,879
Cash and equivalents	<u>1,852,029</u>	<u>-</u>	<u>-</u>	<u>1,852,029</u>
	<u>\$ 43,847,712</u>	<u>\$ 3,249,213</u>	<u>\$ -</u>	47,096,925
US equities *				12,026,134
Non-US equities *				10,088,658
Hedge funds *				<u>8,494,851</u>
				<u>\$ 77,706,568</u>

Fair value measurement was determined using the following inputs at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-US equities	\$ 17,945,575	\$ -	\$ -	\$ 17,945,575
Fixed income	11,225,000	3,307,187	-	14,532,187
US equities	9,935,242	-	-	9,935,242
Cash and equivalents	<u>2,392,346</u>	<u>-</u>	<u>-</u>	<u>2,392,346</u>
	<u>\$ 41,498,163</u>	<u>\$ 3,307,187</u>	<u>\$ -</u>	44,805,350
US equities *				9,793,997
Non-US equities *				7,260,661
Hedge funds *				<u>8,021,074</u>
				<u>\$ 69,881,082</u>

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position (see Note 3).

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 17), Board designated funds (see Note 15), and unrestricted funds reserved to meet current liquidity needs (see Note 18). For the years ended June 30, 2024 and 2023, 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, 2024 and 2023

8. INVESTMENTS (Continued)

During the years ended June 30, 2024 and 2023, the Organization appropriated for operations \$2,649,120 and \$2,232,572, respectively, which are included in the accompanying consolidated statements of activities. For the years ended June 30, 2024 and 2023, \$806,977 and \$620,058, respectively, of the total spending policy transfer was funded through accumulated appreciation on the donor restricted endowment (see Note 16).

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

	<u>2024</u>	<u>2023</u>
Net unrealized gain	\$ 6,468,090	\$ 7,610,805
Capital gains, dividends and interest income	846,073	1,685,106
Net realized gains (losses)	<u>313,523</u>	<u>(1,845,668)</u>
Total investment return	7,627,686	7,450,243
Less - investment return designated for operations:		
Spending policy transfer: 4.5% formula	<u>2,649,120</u>	<u>2,232,572</u>
Investment return, net of spending policy transfer	<u>\$ 4,978,566</u>	<u>\$ 5,217,671</u>

9. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land	\$ 8,212,167	\$ 8,212,167
Buildings	45,405,616	45,405,616
Building and leasehold improvements	43,107,066	39,270,406
Furniture and fixtures	1,611,298	1,599,287
Machinery and equipment	5,348,428	5,014,968
Computer equipment and software	1,795,705	1,668,931
Motor vehicles	488,062	563,650
Construction in process	<u>480,635</u>	<u>1,252,158</u>
	106,448,977	102,987,183
Less - accumulated depreciation	57,266,643	54,501,101
Less - eliminations	<u>746,494</u>	<u>746,494</u>
	<u>\$ 48,435,840</u>	<u>\$ 47,739,588</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 \$2,842,190 and \$2,749,032 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023

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, 2024 and 2023, 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 2023, the Organization exercised its right of first offer in the Ground Lease (see Note 20) to acquire the Organization's main facility (the Facility) from the City of Boston. The acquisition required nominal consideration and acceptance of a perpetual deed restriction 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 difference between the appraised value at the date of purchase (which included the perpetual deed restriction) and the net book value of the leasehold improvements was treated as a contribution from the City of Boston as the consideration for the Facility was not commensurate to the fair value. The contribution totaled \$5,267,820 and is included in capital contributions and grants in the accompanying fiscal year 2023 consolidated statement of activities.

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 was set to mature in August 2024. The Inn pledged a portion of its investments as collateral for the loan. During the year ended June 30, 2023, the Inn renegotiated the terms to modify the collateral used on the loan to a minimum balance of \$800,000 of deposits on hand at Eastern Bank and removing the pledge of the investments. 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, 2023, 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 (5.33% and 5.09% as of June 30, 2024 and 2023, respectively). 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 was renewed in fiscal year 2024 and 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. As of June 30, 2024 and 2023, the Inn had not drawn on the line of credit.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

10. NOTES PAYABLE (Continued)

Notes payable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
\$5,000,000 commercial fixed rate loan to Eastern Bank 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 \$19,874 and \$21,101 as of June 30, 2024 and 2023, respectively.	\$ 3,686,730	\$ 3,896,614
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.	71,216	75,964
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 a minimum of \$800,000 in deposits held on hand with the bank. Unamortized debt issuance costs related to the note payable were \$3,526 and \$5,874 as of June 30, 2024 and 2023, respectively.	65,011	464,482
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>19,486</u>	<u>24,787</u>
	3,842,443	4,461,847
Less - current portion	<u>296,845</u>	<u>619,414</u>
	<u>\$ 3,545,598</u>	<u>\$ 3,842,433</u>

Maturities of notes payable for the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 296,845
2026	\$ 237,212
2027	\$ 247,509
2028	\$ 253,435
2029	\$ 261,217

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

Debt issuance costs related to the various notes payable totaling \$96,246 are shown net of accumulated amortization of \$72,846 and \$69,271 as of June 30, 2024 and 2023, 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. 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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

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>2024</u>	<u>2023</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. During fiscal year 2023, one of the mortgage notes was amended to extend the maturity date to 2030 and the interest rate was reduced to 0%. All deferred interest of this mortgage note was also forgiven as part of the amendment.	2,462,305	2,462,305
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
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

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

11. OTHER DEBT (Continued)

	<u>2024</u>	<u>2023</u>
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 \$14,009 and \$9,815 during the fiscal years ended June 30, 2024 and 2023, respectively, on this note payable. The entire outstanding principal balance is due at maturity in April 2046.	196,456	210,465
	20,464,252	20,478,261
Less - current portion	150,000	420,000
Less - eliminations	696,482	710,465
	<u>\$ 19,617,770</u>	<u>\$ 19,347,796</u>

As of June 30, 2024, the Organization has \$150,000 of debt scheduled to mature during the fiscal year ending June 30, 2025. These notes are still in the process of being extended. There are no maturities of notes payable for the years ending June 30, 2026 through June 30, 2029.

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

12. CONDITIONAL GRANTS

The Inn is awarded various grants and contributions from donors which, from time-to-time, require certain barriers to be overcome in order to allow recognition of revenue. These amounts are considered conditional, as such, have not been recognized in the accompanying consolidated statements of activities. At June 30, 2024 and 2023, the Inn had the following conditional grants:

	<u>2024</u>		
	<u>Total Potential Award</u>	<u>Revenue Earned Through June 30, 2024</u>	<u>Total Conditional Award Remaining at June 30, 2024</u>
Organization A	\$ 5,000,000	\$ -	\$ 5,000,000
* Organization B	5,500,000	3,282,257	2,217,743
Organization C	1,000,000	200,000	800,000
* Organization D	500,000	-	500,000
Organization E	1,000,000	500,000	500,000
Organization F	370,000	370,000	-
	<u>\$ 13,370,000</u>	<u>\$ 4,352,257</u>	<u>\$ 9,017,743</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

12. CONDITIONAL GRANTS (Continued)

	2023		
	Total Potential Award	Revenue Earned Through June 30, 2023	Total Conditional Award Remining at June 30, 2023
* Organization B	\$ 5,500,000	\$ 1,913,559	\$ 3,586,441
Organization C	1,000,000	100,000	900,000
Organization E	1,000,000	500,000	500,000
Organization F	<u>370,000</u>	<u>185,000</u>	<u>185,000</u>
	<u>\$ 7,870,000</u>	<u>\$ 2,698,559</u>	<u>\$ 5,171,441</u>

* Donor has advanced funds related to these grants (see Notes 5 and 13 for conditional advances).

Conditional grant revenue that was earned has been recorded as contributions and grants.

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

	2024	2023
Achievement of certain milestones	\$ 9,017,743	\$ 4,986,441
Subject to matching	<u>-</u>	<u>185,000</u>
Total conditional promises to give	<u>\$ 9,017,743</u>	<u>\$ 5,171,441</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, 2024, the Organization has entered into seven one-year contracts that commenced between September 1, 2023, and June 1, 2024, that total \$7,361,433. The Organization has earned \$3,280,401 of these contracts as of June 30, 2024, and the remaining balances will be earned through fiscal year 2026.

As of June 30, 2023, the Organization had entered into nine one-year contracts which commenced between September 1, 2022, and June 1, 2023, that totaled \$9,320,588, of which \$4,850,196 was earned during the year ended June 30, 2023. The balance of these contracts was earned in the year ended June 30, 2024.

13. CONDITIONAL ADVANCES

At June 30, 2024 and 2023, the Inn had the following conditional grant advances:

	2024			
	Total Potential Award	Cash Received as June 30, 2024	Revenue Earned Through June 30, 2024	Conditional Advances Balance as of June 30, 2024
* Organization B	\$ 5,500,000	\$ 4,500,000	\$ 3,282,257	\$ 1,217,743
* Organization D	<u>500,000</u>	<u>167,000</u>	<u>-</u>	<u>167,000</u>
	<u>\$ 6,000,000</u>	<u>\$ 4,667,000</u>	<u>\$ 3,282,257</u>	<u>\$ 1,384,743</u>

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

13. CONDITIONAL ADVANCES (Continued)

	<u>2023</u>			
	<u>Total Potential Award</u>	<u>Cash Received as June 30, 2023</u>	<u>Revenue Earned Through June 30, 2023</u>	<u>Conditional Advances Balance as of June 30, 2023</u>
* Organization B	<u>\$ 5,500,000</u>	<u>\$ 4,000,000</u>	<u>\$ 1,913,559</u>	<u>\$ 2,086,441</u>

* See Note 12 for remaining balances to be earned for these conditional grants.

14. CONTRIBUTED NONFINANCIAL ASSETS

Donated goods, services and facilities 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 donated goods, services and facilities as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Use of facilities	\$ 1,609,926	\$ 1,498,949
Food	820,350	766,785
Health care services	200,000	200,000
Linens and laundry	178,047	185,258
Program support	144,227	123,175
Volunteer services	<u>143,275</u>	<u>111,515</u>
	<u>\$ 3,095,825</u>	<u>\$ 2,885,682</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 donated facilities 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 donated facilities 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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

14. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

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.

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 donated goods, services and facilities received by the Organization for the years ended June 30, 2024 and 2023, 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 do not meet the criteria for consolidated financial statements recognition.

15. 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>2024</u>	<u>2023</u>
Board designated funds functioning as endowment - housing sustainability fund (see Note 17)	\$ 9,376,460	\$ 8,560,578
Capital improvements replacement reserve	5,000,000	5,000,000
Housing operations reserve	3,200,000	1,200,000
Mortgage interest reserve	2,129,165	2,062,895
Tax-credit guaranty reserve	800,000	800,000
Real estate fair value reserve	<u>142,599</u>	<u>191,789</u>
	<u>\$ 20,648,224</u>	<u>\$ 17,815,262</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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

15. BOARD DESIGNATED NET ASSETS (Continued)

A housing operations reserve supports the Organization's commitment to fund a ten-year reserve for its permanent housing operations. The Board increased its designation during the fiscal year ended June 30, 2024, to \$3,200,000.

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

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.

All of the above amounts are restricted as to use by the Board of Directors. Any use of these funds requires prior authorization by the Board of Directors.

16. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to expenditures for specified purposes:		
Acquisition and rehabilitation of buildings and equipment	\$ 9,679,748	\$ 9,277,751
Program operations	8,334,238	7,814,429
Time	<u>1,015,000</u>	<u>530,000</u>
	<u>19,028,986</u>	<u>17,622,180</u>
Not subject to appropriation or expenditure:		
Facility use restrictions:		
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>836,294</u>
	<u>2,564,876</u>	<u>2,564,876</u>
Principal corpus of endowment for which appreciation, once appropriated, is available to support:		
Housing sustainability fund	17,122,572	17,031,072
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>2,998,489</u>	<u>1,878,544</u>
	<u>23,059,913</u>	<u>21,848,468</u>
Total net assets with donor restrictions	<u>\$ 44,653,775</u>	<u>\$ 42,035,524</u>

17. 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.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

17. ENDOWMENT (Continued)

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, 2024 and 2023. 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

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

	<u>2024</u>	<u>2023</u>
Donor restricted endowment funds:		
Original donor restricted gift amounts and amounts required to be maintained in perpetuity by donor	\$ 20,061,424	\$ 19,969,924
Accumulated investment return, net	<u>2,998,489</u>	<u>1,878,544</u>
Total donor restricted endowment funds	<u>23,059,913</u>	<u>21,848,468</u>
Endowment funds without donor restrictions (see Note 15):		
Original Board designated amounts functioning as endowment	8,351,428	8,351,428
Accumulated investment return, net	<u>1,025,032</u>	<u>209,150</u>
Total endowment funds without donor restrictions	<u>9,376,460</u>	<u>8,560,578</u>
Endowment net assets	<u>\$ 32,436,373</u>	<u>\$ 30,409,046</u>

PINE STREET INN, INC. AND AFFILIATESNotes to Consolidated Financial Statements
June 30, 2024 and 2023**17. ENDOWMENT (Continued)**

Changes in endowment net assets for the years ended June 30, 2024 and 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 7,667,343	\$ 20,147,654	\$ 27,814,997
Contributions	-	267,500	267,500
Investment return, net	893,235	2,053,372	2,946,607
Spending policy transfer (see Note 8)	<u>-</u>	<u>(620,058)</u>	<u>(620,058)</u>
Endowment net assets, June 30, 2023	8,560,578	21,848,468	30,409,046
Contributions	-	91,500	91,500
Investment return, net	815,882	1,926,922	2,742,804
Spending policy transfer (see Note 8)	<u>-</u>	<u>(806,977)</u>	<u>(806,977)</u>
Endowment net assets, June 30, 2024	<u>\$ 9,376,460</u>	<u>\$ 23,059,913</u>	<u>\$ 32,436,373</u>

18. 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, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 30,399,534	\$ 24,921,211
Accounts receivable, net	12,513,292	13,763,468
Current portion of contributions receivable, net	<u>2,718,000</u>	<u>1,937,845</u>
Total financial assets	45,630,826	40,622,524
Less - contractual or donor-imposed restrictions:		
Donor-imposed restrictions, net of amounts intended to be used within one year	<u>2,764,216</u>	<u>3,946,752</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,866,610</u>	<u>\$ 36,675,772</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 \$47,000,000 and \$45,000,000 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the Organization has \$43,042,046 and \$36,675,772, 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, as of June 30, 2024, the Organization has Board designated reserves of \$10,845,637, Board designated funds functioning as endowment of \$9,376,460, and other undesignated long-term investments totaling approximately \$38,023,000. As of June 30, 2023, the Organization has Board designated reserves of \$9,254,684, Board designated funds functioning as endowment of \$8,560,578, and other undesignated long-term investments totaling approximately \$33,161,000. These funds could be made available to fund expenditures, if necessary, although the Organization does not currently intend to spend from these funds.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2024 and 2023

18. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 general working capital expenses (see Note 10).

19. 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 \$589,840 and \$374,324 for the years ended June 30, 2024 and 2023, respectively.

The Organization leases certain properties to another unrelated not-for-profit organization on an annual basis with monthly charges ranging between \$2,390 and \$3,414. These leases were extended through June 30, 2024. These leases required payments totaling \$108,909 and \$94,091 for the years ended June 30, 2024 and 2023, respectively.

Rental revenue from the above leases for the years ended June 30, 2024 and 2023, was \$698,749 and \$468,415, respectively, and is included in other revenue in the accompanying consolidated statements of activities.

Future receipts under these leases over the remainder of the lease terms are:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 573,257
2026	504,000
2027	504,000
2028	504,000
2029	504,000
Thereafter	<u>1,722,000</u>
	<u>\$ 4,311,257</u>

20. LEASES

The Organization has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of vehicles and equipment for the use of operations. Termination of the leases generally is prohibited unless there is a violation under the lease agreement.

Operating Leases

The Organization has multiple leases of buildings for offices and certain machinery and equipment. These leases generally contain renewal options for periods ranging from two years to twenty years and require the Organization to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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20. LEASES (Continued)*Short-Term Leases*

The Organization has certain leases that are for a period of twelve months or less or contain renewals for periods of twelve months or less. The Organization has elected the practical expedient to not include these leases within the operating ROU assets and lease liabilities.

The following summarizes the line items in the accompanying consolidated statements of activities, which include the components of lease expense for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease cost included in occupancy	\$ 2,745,863	\$ 2,894,513
Operating lease cost included in equipment expenses	20,847	-
Short-term lease cost included in occupancy	97,974	88,512
Finance lease costs:		
Amortization of lease assets included in transportation and equipment expenses	78,898	44,830
Interest on finance lease liabilities included in interest expense	<u>12,055</u>	<u>8,000</u>
Total lease expense	<u>\$ 2,955,637</u>	<u>\$ 3,035,855</u>

The following summarizes cash flow information related to leases for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,771,808	\$ 2,897,530
Operating cash flows from finance leases	\$ 12,044	\$ 43,217
Financing cash flows from finance leases	\$ 88,776	\$ 44,011
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 5,863,067	\$ 22,303,210
Finance leases	\$ 91,923	\$ 290,685

The following summarizes the weighted-average remaining lease term and discount rate as of June 30:

	<u>2024</u>	<u>2023</u>
Weighted-Average Remaining Lease Term:		
Operating leases	13.92 years	15.50 years
Finance leases	3.87 years	4.67 years
Weighted-Average Discount Rate:		
Operating leases	3.59%	3.33%
Finance leases	3.99%	3.87%

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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20. LEASES (Continued)

The maturities of lease liabilities as of June 30, 2024, were as follows:

<u>Year Ending June 30:</u>	<u>Operating</u>	<u>Finance</u>
2025	\$ 2,360,457	\$ 76,002
2026	2,301,654	71,869
2027	2,295,294	69,017
2028	2,294,454	54,793
2029	2,175,629	2,566
Thereafter	<u>18,981,564</u>	<u>-</u>
Total future undiscounted lease payments	30,409,052	274,247
Less - present value discount/interest	<u>(6,355,541)</u>	<u>(20,843)</u>
Present value of lease liabilities	<u>\$ 24,053,511</u>	<u>\$ 253,404</u>

The Organization had a ninety-nine-year ground lease (the Ground Lease) with the City of Boston for the Facility that was set to expire in May 2100. The annual lease expense was \$1, and the entire lease expense was prepaid at the inception of the lease. This lease was not recorded as a capital lease due to the uncertainty of the building's value at lease inception. During fiscal year 2023, the Organization exercised its right of first offer in the Ground Lease to acquire the Facility from the City of Boston and the Ground Lease was terminated (see Note 9).

21. 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 2024 and 2023, the Inn incurred annual expenses of \$762,944 and \$703,855, 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, 2024 and 2023, \$1,162,944 and \$996,000, respectively, are 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, 2024 and 2023, the Inn did not make contributions to the 457 Plan. The assets of the 457 Plan as of June 30, 2024 and 2023, were \$75,570 and \$64,283, 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.

22. CONCENTRATIONS

The Organization received 38% and 28% of its total operating revenues without donor restrictions through contracts from the Commonwealth of Massachusetts, Executive Office of Housing and Livable Communities (formerly, Department of Housing and Community Development) for the years ended June 30, 2024 and 2023, respectively. Approximately 49% and 43% of accounts receivable was due from the Commonwealth of Massachusetts, Executive Office of Housing and Livable Communities at June 30, 2024 and 2023, respectively.

PINE STREET INN, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
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22. CONCENTRATIONS (Continued)

Approximately 11% and 13% of total operating revenues without donor restrictions were received from contracts through the City of Boston Mayor's Office of Housing for the years ended June 30, 2024 and 2023, respectively. Approximately 19% and 25% of accounts receivable was due from the City of Boston, Mayor's Office of Housing at June 30, 2024 and 2023, respectively.

Payments to the Organization are subject to audit by the appropriate government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidated financial position of the Organization as of June 30, 2024 and 2023 or on its results of operations for the years then ended.

23. 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.

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.

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.

24. RECLASSIFICATIONS

Certain amounts in the fiscal year 2023 consolidated financial statements have been reclassified to conform with the fiscal year 2024 presentation.