

Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Open Door Mission

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Independent Auditors' Report

To the Board of Directors of
Open Door Mission:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Open Door Mission, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Open Door Mission as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Open Door Mission, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Open Door Mission'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Door Mission'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.

Blazek & Vetterling

July 27, 2022

Open Door Mission

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 795,728	\$ 860,301
Contributions receivable	8,333	
Investments (Note 3)	415,150	414,349
Prepaid expenses and program services receivable	21,240	41,785
Property and equipment, net (Note 4)	<u>2,460,220</u>	<u>2,545,113</u>
TOTAL ASSETS	<u>\$ 3,700,671</u>	<u>\$ 3,861,548</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 28,460</u>	<u>\$ 12,065</u>
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions	3,542,930	3,772,065
With donor restrictions (Note 6)	<u>129,281</u>	<u>77,418</u>
Total net assets	<u>3,672,211</u>	<u>3,849,483</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,700,671</u>	<u>\$ 3,861,548</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,669,104	\$ 165,000	\$ 1,834,104
In-kind contributions (<i>Note 5</i>)	412,619		412,619
Special event	413,476		413,476
Direct donor benefit costs	(44,124)		(44,124)
Program service revenues	54,530		54,530
Other income	<u>797</u>		<u>797</u>
Total revenue	2,506,402	165,000	2,671,402
Net assets released from restrictions:			
Program expenditures	93,137	(93,137)	
Capital expenditures	<u>20,000</u>	<u>(20,000)</u>	
Total	<u>2,619,539</u>	<u>51,863</u>	<u>2,671,402</u>
EXPENSES:			
Recovery programs	2,314,606		2,314,606
Management and general	237,754		237,754
Fundraising	<u>296,314</u>		<u>296,314</u>
Total expenses	<u>2,848,674</u>		<u>2,848,674</u>
CHANGES IN NET ASSETS	(229,135)	51,863	(177,272)
Net assets, beginning of year	<u>3,772,065</u>	<u>77,418</u>	<u>3,849,483</u>
Net assets, end of year	<u>\$ 3,542,930</u>	<u>\$ 129,281</u>	<u>\$ 3,672,211</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 2,212,716	\$ 285,378	\$ 2,498,094
In-kind contributions (<i>Note 5</i>)	287,013		287,013
Program service revenues	141,920		141,920
Other income	<u>31,432</u>		<u>31,432</u>
Total revenue	2,673,081	285,378	2,958,459
Net assets released from restrictions:			
Program expenditures	<u>289,708</u>	<u>(289,708)</u>	
Total	<u>2,962,789</u>	<u>(4,330)</u>	<u>2,958,459</u>
EXPENSES:			
Recovery programs	2,000,268		2,000,268
Management and general	249,816		249,816
Fundraising	<u>374,909</u>		<u>374,909</u>
Total expenses	<u>2,624,993</u>		<u>2,624,993</u>
CHANGES IN NET ASSETS	337,796	(4,330)	333,466
Net assets, beginning of year	<u>3,434,269</u>	<u>81,748</u>	<u>3,516,017</u>
Net assets, end of year	<u>\$ 3,772,065</u>	<u>\$ 77,418</u>	<u>\$ 3,849,483</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2021

	<u>RECOVERY PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 995,565	\$ 139,430	\$ 172,116	\$ 1,307,111
Employee benefits	154,904	24,806	27,653	207,363
Payroll taxes	64,311	10,299	11,481	86,091
In-kind food and kitchen supplies	412,619			412,619
Depreciation	257,548	3,612	3,100	264,260
Utilities	100,684	1,270	1,090	103,044
Supplies	74,477	8,846	17,431	100,754
Telephone, internet and computer	69,188	955	24,399	94,542
Insurance	84,115	2,385	2,386	88,886
Repairs and maintenance	62,705	879	755	64,339
Professional services		25,146		25,146
Direct mail – postage and printing			22,986	22,986
Equipment rental	9,236	1,479	6,196	16,911
Bank services		16,632		16,632
Vehicle repairs and maintenance	14,535			14,535
Printing and media	7,625		4,689	12,314
Travel	806	784	1,424	3,014
Other	<u>6,288</u>	<u>1,231</u>	<u>608</u>	<u>8,127</u>
Total expenses	<u>\$ 2,314,606</u>	<u>\$ 237,754</u>	<u>\$ 296,314</u>	2,848,674
Direct donor benefit costs				<u>44,124</u>
Total				<u>\$ 2,892,798</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2020

	<u>RECOVERY PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 855,048	\$ 145,759	\$ 229,467	\$ 1,230,274
Employee benefits	122,794	23,912	33,081	179,787
Payroll taxes	55,445	10,797	14,937	81,179
In-kind food and kitchen supplies	287,013			287,013
Depreciation	249,829	3,504	3,007	256,340
Utilities	102,337	1,244	1,068	104,649
Supplies	61,295	10,318	16,565	88,178
Telephone, internet and computer	74,676	937	16,492	92,105
Insurance	79,966	2,578	3,037	85,581
Repairs and maintenance	71,998	1,010	867	73,875
Professional services		20,195	2,670	22,865
Direct mail – postage and printing			41,293	41,293
Equipment rental	8,172	1,591	6,569	16,332
Bank services		22,615		22,615
Vehicle repairs and maintenance	8,873			8,873
Printing and media	8,573		4,568	13,141
Travel	338	428	503	1,269
Security	13,710			13,710
Other	201	4,928	785	5,914
Total expenses	<u>\$ 2,000,268</u>	<u>\$ 249,816</u>	<u>\$ 374,909</u>	<u>\$ 2,624,993</u>

See accompanying notes to financial statements.

Open Door Mission

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (177,272)	\$ 333,466
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	264,260	256,340
Net realized and unrealized (gain) loss on investments	10,168	(5,510)
Changes in operating assets and liabilities:		
Contributions receivable	(8,333)	
Prepaid expenses and program services receivable	20,545	(13,935)
Accounts payable and accrued liabilities	<u>16,395</u>	<u>(1,156)</u>
Net cash provided by operating activities	<u>125,763</u>	<u>569,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(179,367)	
Purchase of investments	<u>(10,969)</u>	<u>(255,733)</u>
Net cash used by investing activities	<u>(190,336)</u>	<u>(255,733)</u>
NET CHANGE IN CASH	(64,573)	313,472
Cash, beginning of year	<u>860,301</u>	<u>546,829</u>
Cash, end of year	<u>\$ 795,728</u>	<u>\$ 860,301</u>

See accompanying notes to financial statements.

Open Door Mission

Notes to Financial Statements for the years ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Open Door Mission (Open Door) is a faith-based recovery and rehabilitation facility dedicated to transforming the lives of the addicted, destitute, homeless, and disabled men in the Houston community. The Doorway Program provides a 7-month intensive and supportive residential treatment program with optional transitional living aftercare treatment for up to 6 additional months. Open Door offers residents, through its education and technology center, GED services, post secondary education on-line classes, and basic computer classes. Open Door’s Convalescent Care Center can house up to 33 homeless men who have been released from care who need extended convalescence and monitoring following illness.

Federal income tax status – Open Door is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows, if material. Amortization of discounts is included in contribution revenue.

Investments are reported at fair value.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. Generally, acquisitions of property in excess of \$5,000 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 30 years.

Net asset classification – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Open Door is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions are met.

In 2021, Open Door received a conditional contribution of \$450,000 for operating expenditures over a three-year period. The amounts to be paid in years two and three require a 50% and 100% match, respectively. At December 31, 2021, \$300,000 of the conditional contribution has not been recognized because the conditions have not yet been met.

Donated materials and services – Donated materials are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

Special event revenue is the total amount paid by attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special event.

Program service revenues are derived from rental payments, client subsidy payments, and catering training programs and are recognized at a point in time when services are provided. Accounts receivable arising from program service revenues at December 31, 2021 and 2020 are \$2,450 and \$25,620, respectively; there were no accounts receivable at December 31, 2019. There are no contract liabilities resulting from program service revenues at December 31, 2021, 2020, or 2019.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of property and equipment, occupancy costs, and information technology costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for years beginning after June 15, 2021 and requires retrospective application. Open Door is required to adopt this ASU for fiscal year ending December 31, 2022.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 795,728	\$ 860,301
Contributions receivable	8,333	
Investments	415,150	414,349
Other assets (receivables)	<u>2,450</u>	<u>25,620</u>
Total financial assets	<u>1,221,661</u>	<u>1,300,270</u>
Less financial assets not available for general expenditure:		
Other donor-restricted assets subject to satisfaction of restriction or the passage of time in more than one year	<u> </u>	<u>35,000</u>
Total financial assets available for general expenditure	<u>\$ 1,221,661</u>	<u>\$ 1,265,270</u>

Open Door is substantially supported by contribution revenues. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Open Door considers all expenditures related to operating a recovery and rehabilitation facility for homeless, addicted, destitute and disabled men, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of Open Door’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In July 2022, Open Door entered into a \$475,000 line of credit agreement with a bank that expires in January 2025. The line of credit will also be available for liquidity management.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2021 consist of the following:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Bond mutual funds – short-term index	<u>\$ 415,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 415,150</u>

Assets measured at fair value at December 31, 2020 consist of the following:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Bond mutual funds – short-term index	\$ <u>414,349</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>414,349</u>

Mutual funds are valued at the reported net asset value of shares held. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Open Door believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	5,567,903	5,556,211
Furniture, equipment and software	955,387	878,351
Vehicles	205,415	205,521
Construction in progress	<u>90,745</u>	<u> </u>
Total	6,873,551	6,694,184
Accumulated depreciation	<u>(4,413,331)</u>	<u>(4,149,071)</u>
Property and equipment, net	<u>\$ 2,460,220</u>	<u>\$ 2,545,113</u>

NOTE 5 – IN-KIND CONTRIBUTIONS

In-kind contributions reported as program expenses consist of the following:

	<u>2021</u>	<u>2020</u>
Food and kitchen supplies	\$ <u>412,619</u>	\$ <u>287,013</u>
Total in-kind contributions	<u>\$ 412,619</u>	<u>\$ 287,013</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Convalescent care center	\$ 73,190	
Furniture and equipment	47,758	\$ 74,540
Program services	<u>8,333</u>	<u>2,878</u>
Total net assets with donor restrictions	<u>\$ 129,281</u>	<u>\$ 77,418</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Open Door executed a Deed of Trust in favor of the Federal Home Loan Bank of Atlanta (FHLBA) for a fifteen-year period beginning in September 2009. FHLBA provided Open Door \$750,000 for the partial rehabilitation of one of its buildings. In accordance with the agreement, no principal or interest payments are required on the advance as long as the building remains available as a housing facility to eligible individuals for a fifteen-year period. Open Door's management believes that the property is being operated in compliance with this agreement; therefore, no liability has been recognized in these financial statements.

NOTE 8 – RETIREMENT PLAN

Substantially all Open Door employees are covered by a §401(k) defined contribution retirement plan. Employees are eligible to participate in the plan and receive matching contributions at their date of hire. Open Door matches 100% of employee contributions up to 4% of salary. Open Door contributed \$41,222 to the plan during 2021 and \$39,432 during 2020.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 27, 2022, which is the date that the financial statements were available for issuance. No events, other than the line of credit referred to in Note 2, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.