

Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

DATE OPEN PENDING MANAGEMENT REVIEW AND APPROVAL

Open Door MissionStatements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 509,034	\$ 795,728
Contributions receivable	13,333	8,333
Investments <i>(Note 4)</i>	393,987	415,150
Prepaid expenses and program services receivable	1,795	21,240
Property and equipment, net <i>(Note 5)</i>	<u>2,295,456</u>	<u>2,460,220</u>
TOTAL ASSETS	<u>\$ 3,213,605</u>	<u>\$ 3,700,671</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 36,177</u>	<u>\$ 28,460</u>
Commitments and contingencies <i>(Note 8)</i>		
Net assets:		
Without donor restrictions	3,150,251	3,542,930
With donor restrictions <i>(Note 7)</i>	<u>27,177</u>	<u>129,281</u>
Total net assets	<u>3,177,428</u>	<u>3,672,211</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,213,605</u>	<u>\$ 3,700,671</u>

See accompanying notes to financial statements.

Open Door MissionStatement of Activities for the year ended December 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Financial contributions	\$ 1,714,343	\$ 183,686	\$ 1,898,029
Nonfinancial contributions <i>(Note 6)</i>	159,641		159,641
Special event	378,190		378,190
Direct donor benefit costs	(57,268)		(57,268)
Program service revenues	109,873		109,873
Net investment return and other income	<u>(21,164)</u>		<u>(21,164)</u>
Total revenue	2,283,615	183,686	2,467,301
Net assets released from restrictions:			
Program expenditures	221,876	(221,876)	
Capital expenditures	<u>63,914</u>	<u>(63,914)</u>	
Total	<u>2,569,405</u>	<u>(102,104)</u>	<u>2,467,301</u>
EXPENSES:			
Recovery programs	2,499,537		2,499,537
Management and general	239,567		239,567
Fundraising	<u>222,980</u>		<u>222,980</u>
Total expenses	<u>2,962,084</u>		<u>2,962,084</u>
CHANGES IN NET ASSETS	(392,679)	(102,104)	(494,783)
Net assets, beginning of year	<u>3,542,930</u>	<u>129,281</u>	<u>3,672,211</u>
Net assets, end of year	<u>\$ 3,150,251</u>	<u>\$ 27,177</u>	<u>\$ 3,177,428</u>

See accompanying notes to financial statements.

Open Door MissionStatement of Activities for the year ended December 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Financial contributions	\$ 1,669,104	\$ 165,000	\$ 1,834,104
Nonfinancial contributions <i>(Note 6)</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
Net investment return and 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 MissionStatement of Functional Expenses for the year ended December 31, 2022

	<u>RECOVERY PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,222,268	\$ 124,277	\$ 110,302	\$ 1,456,847
Employee benefits	212,920	23,457	21,395	257,772
Payroll taxes	77,189	8,504	7,756	93,449
Depreciation	276,343	3,859	2,160	282,362
Supplies	108,204	11,180	15,890	135,274
Utilities	132,179	1,670	935	134,784
In-kind food and kitchen supplies	134,741			134,741
Insurance	109,276	3,302	2,565	115,143
Telephone, internet and computer	87,357	970	23,841	112,168
Repairs and maintenance	64,268	898	502	65,668
Professional services	24,900	29,827		54,727
Bank services		24,460		24,460
Direct mail – postage and printing			22,439	22,439
Vehicle repairs and maintenance	21,070			21,070
Printing and media	7,622		8,431	16,053
Equipment rental	9,606	1,058	5,333	15,997
Travel	4,697	811	1,326	6,834
Other	6,897	5,294	105	12,296
Total expenses	<u>\$ 2,499,537</u>	<u>\$ 239,567</u>	<u>\$ 222,980</u>	2,962,084
Direct donor benefit costs				<u>57,268</u>
Total				<u>\$ 3,019,352</u>

See accompanying notes to financial statements.

Open Door MissionStatement 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
Depreciation	257,548	3,612	3,100	264,260
Supplies	74,477	8,846	17,431	100,754
Utilities	100,684	1,270	1,090	103,044
In-kind food and kitchen supplies	412,619			412,619
Insurance	84,115	2,385	2,386	88,886
Telephone, internet and computer	69,188	955	24,399	94,542
Repairs and maintenance	62,705	879	755	64,339
Professional services		25,146		25,146
Bank services		16,632		16,632
Direct mail – postage and printing			22,986	22,986
Vehicle repairs and maintenance	14,535			14,535
Printing and media	7,625		4,689	12,314
Equipment rental	9,236	1,479	6,196	16,911
Travel	806	784	1,424	3,014
Other	6,288	1,231	608	8,127
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 MissionStatements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (494,783)	\$ (177,272)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	282,362	264,260
Net realized and unrealized loss on investments	27,007	10,168
Changes in operating assets and liabilities:		
Contributions receivable	(5,000)	(8,333)
Prepaid expenses and program services receivable	19,445	20,545
Accounts payable and accrued liabilities	<u>7,717</u>	<u>16,395</u>
Net cash provided (used) by operating activities	<u>(163,252)</u>	<u>125,763</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,810)	(10,969)
Proceeds from sales of investments	966	
Purchases of property and equipment	<u>(117,598)</u>	<u>(179,367)</u>
Net cash used by investing activities	<u>(123,442)</u>	<u>(190,336)</u>
NET CHANGE IN CASH	(286,694)	(64,573)
Cash, beginning of year	<u>795,728</u>	<u>860,301</u>
Cash, end of year	<u>\$ 509,034</u>	<u>\$ 795,728</u>

See accompanying notes to financial statements.

Open Door Mission

Notes to Financial Statements for the years ended December 31, 2022 and 2021

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, operated under a cooperative agreement with Harris Health System, can house up to 28 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 2022 and 2023 require a 50% and 100% match, respectively. At December 31, 2022, \$150,000 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, 2022, 2021 and 2020 are \$1,495, \$2,450 and \$25,620 respectively. There are no other assets or liabilities resulting from program service revenues at December 31, 2022, 2021, or 2020.

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.

NOTE 2 – ADOPTION OF NEW ACCOUNTING STANDARD

Open Door adopted the amendments of Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2021. Adoption of this ASU expanded the presentation and disclosures related to nonfinancial contributions, but did not result in any restatement of net assets or the changes therein.

NOTE 3 – 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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 509,034	\$ 795,728
Contributions receivable	13,333	8,333
Investments	393,987	415,150
Program service receivable	<u>1,495</u>	<u>2,450</u>
Total financial assets available for general expenditure	<u>\$ 917,849</u>	<u>\$ 1,221,661</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. Additionally, in July 2022, Open Door entered into a \$475,000 revolving credit loan agreement with a bank that is secured by property and expires in January 2025. No amounts were drawn on the loan during 2022.

NOTE 4 – 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, 2022 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	\$ 387,177			\$ 387,177
Money market mutual funds	<u>6,810</u>			<u>6,810</u>
Total	<u>\$ 393,987</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 393,987</u>

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>

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 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	5,647,304	5,567,903
Furniture, equipment and software	1,011,439	955,387
Vehicles	242,915	205,415
Construction in progress	<u>35,390</u>	<u>90,745</u>
Total	6,991,149	6,873,551
Accumulated depreciation	<u>(4,695,693)</u>	<u>(4,413,331)</u>
Property and equipment, net	<u>\$ 2,295,456</u>	<u>\$ 2,460,220</u>

NOTE 6 – NONFINANCIAL CONTRIBUTIONS

Contributed nonfinancial assets were recognized as follows:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR <u>2022</u>	FISCAL YEAR <u>2021</u>
Food and kitchen supplies	Utilized for meals for residents	None	Fair value estimated using the latest Feeding America price per pound for food commodities.	\$134,741	\$412,619
Counseling services	Utilized in recovery programs	None	Fair value estimated based on estimated hours of service provided and U. S. Bureau of Labor Statistics’ 2022 hourly mean wage for mental health counselors.	\$24,900	
Total contributed nonfinancial assets				<u>\$159,641</u>	<u>\$412,619</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Program services	\$ 13,333	\$ 8,333
Furniture and equipment	13,844	47,758
Convalescent care center	<u> </u>	<u>73,190</u>
Total net assets with donor restrictions	<u>\$ 27,177</u>	<u>\$ 129,281</u>

NOTE 8 – 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 9 – 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 \$40,505 to the plan during 2022 and \$41,222 during 2021.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through **DATE OPEN**, which is the date that the financial statements were available for issuance. No events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.