Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

Open Door Mission

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Independent Auditors' Report

To the Board of Directors of
Open Door Mission:

We have audited the accompanying financial statements of Open Door Mission, which comprise the statements of financial position as of December 31, 2018 and 2017 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Door Mission as of December 31, 2018 and 2017 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.

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Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Open Door Mission adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

September 18, 2019

Open Door Mission

Statements of Financial Position as of December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	$ 418,976	$ 395,787
Investments *(Note 4)*	146,016	144,073
Prepaid expenses and other assets	14,085	31,680
Contributions receivable	50,000	
Property and equipment, net *(Note 5)*	3,075,951	3,258,998
TOTAL ASSETS	$ 3,705,028	$ 3,830,538
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 10,862	$ 46,637
Commitments and contingencies *(Note 9)*		
Net assets:		
Without donor restrictions *(Note 7)*	3,585,388	3,653,447
With donor restrictions *(Note 8)*	108,778	130,454
Total net assets	3,694,166	3,783,901
TOTAL LIABILITIES AND NET ASSETS	$ 3,705,028	$ 3,830,538

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 1,351,155	$ 206,100	$ 1,557,255
In-kind contributions *(Note 6)*	303,112		303,112
Special event	486,649		486,649
Direct donor benefits	(81,399)		(81,399)
Program service fees	127,315		127,315
Other income	63,952		63,952
Total revenue	2,250,784	206,100	2,456,884
Net assets released from restrictions:			
Property and equipment expenditures	46,443	(46,443)	
Program expenditures	181,333	(181,333)	
Total	2,478,560	(21,676)	2,456,884
EXPENSES:			
Rehabilitation programs	1,927,311		1,927,311
Management and general	216,779		216,779
Fundraising	402,529		402,529
Total expenses	2,546,619		2,546,619
CHANGES IN NET ASSETS	(68,059)	(21,676)	(89,735)
Net assets, beginning of year	3,653,447	130,454	3,783,901
Net assets, end of year	$ 3,585,388	$ 108,778	$ 3,694,166

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	$ 1,555,399	$ 204,865	$ 1,760,264
In-kind contributions *(Note 6)*	414,537		414,537
Special event	403,259		403,259
Direct donor benefits	(119,614)		(119,614)
Program service fees	158,666		158,666
Other income	8,297		8,297
Total revenue	2,420,544	204,865	2,625,409
Net assets released from restrictions:			
Property and equipment expenditures	746,947	(746,947)	
Program expenditures	173,599	(173,599)	
Total	3,341,090	(715,681)	2,625,409
EXPENSES:			
Rehabilitation programs	2,022,764		2,022,764
Management and general	204,516		204,516
Fundraising	745,833		745,833
Total expenses	2,973,113		2,973,113
CHANGES IN NET ASSETS	367,977	(715,681)	(347,704)
Net assets, beginning of year *(Note 2)*	3,285,470	846,135	4,131,605
Net assets, end of year	$ 3,653,447	$ 130,454	$ 3,783,901

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2018

	REHABILITATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 788,214	$ 125,381	$ 207,365	$ 1,120,960
Employee benefits	105,485	16,576	28,632	150,693
Payroll taxes	56,387	8,861	15,305	80,553
Depreciation	287,912	4,038	3,465	295,415
In-kind food and clothing supplies	238,112			238,112
Supplies	86,321	7,199	33,340	126,860
Utilities	106,989	1,290	1,107	109,386
Telephone, internet and computer	62,211	846	25,756	88,813
Insurance	72,406	2,077	2,796	77,279
Direct mail:				
Cultivation – postage and printing			48,999	48,999
Repairs and maintenance	47,190	662	568	48,420
Professional services		19,268	24,490	43,758
Security	41,484			41,484
Bank services		23,371		23,371
Equipment rental	9,007	1,415	6,096	16,518
Vehicle repairs	15,166			15,166
Travel	2,215	4,225	968	7,408
Printing and media	356		3,544	3,900
Staff development	336		98	434
Other	7,520	1,570		9,090
Total expenses	$ 1,927,311	$ 216,779	$ 402,529	2,546,619
Direct donor benefits				81,399
Total				$ 2,628,018

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2017

	REHABILITATION PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 691,058	$ 108,668	$ 199,214	$ 998,940
Employee benefits	95,011	18,164	26,547	139,722
Payroll taxes	49,534	8,140	14,597	72,271
Depreciation	273,434	3,835	3,291	280,560
In-kind food and clothing supplies	414,537			414,537
Supplies	139,191	5,109	27,793	172,093
Telephone, internet and computer	71,355	971	9,354	81,680
Insurance	74,540	2,310	2,806	79,656
Direct mail:				
Cultivation – postage and printing			441,366	441,366
Professional services		18,584	2,600	21,184
Bank services		30,109		30,109
Vehicle repairs	16,008			16,008
Travel	1,398	475	2,076	3,949
Printing and media	5,249		7,686	12,935
Staff development	1,730	25	1,093	2,848
Occupancy	175,153	1,774	1,523	178,450
Other	14,566	6,352	5,887	26,805
Total expenses	$ 2,022,764	$ 204,516	$ 745,833	2,973,113
Direct donor benefits				119,614
Total				$ 3,092,727

See accompanying notes to financial statements.

Open Door Mission

Statements of Cash Flows for the years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (89,735)	$ (347,704)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	295,415	280,560
Net realized and unrealized loss on investments	956	698
In-kind contributions of property	(65,000)	
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	17,595	(19,637)
Contributions receivable	(50,000)	50,000
Accounts payable and accrued liabilities	(35,775)	1,687
Net cash provided (used) by operating activities	73,456	(34,396)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital projects		60,615
Purchases of property and equipment	(47,368)	(105,971)
Purchase of investments	(2,899)	(2,374)
Net cash used by investing activities	(50,267)	(47,730)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital contributions		25,000
NET CHANGE IN CASH	23,189	(57,126)
Cash, beginning of year	395,787	452,913
Cash, end of year	$ 418,976	$ 395,787

See accompanying notes to financial statements.

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 the optional transitional living aftercare treatment for up to 6 additional months. Open Door's Convalescent Care Center can house up to 33 homeless men who have been released from care who need extended convalescence following illness, surgery or accidents. Open Door's education and technology center provides GED services, availability for post secondary education on-line classes, and basic computer classes.

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.

Investments are reported at fair value.

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. At December 31, 2018, all contributions are due to be paid within one year.

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 – Contributions and the related net assets 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. Conditional contributions are recognized in the same manner when the conditions are substantially 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.

Program service fees are recognized as the services are provided.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. 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 one or more programs or supporting activities 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 – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Open Door is required to apply the amendments in its December 31, 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARD

Open Door adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

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, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash	$ 418,976
Other assets	2,917
Contributions receivable	50,000
Investments	146,016
Total financial assets	617,909
Less financial assets not available for general expenditure:	
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	15,000
Total financial assets available for general expenditure	$ 602,909

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 come due. Open Door could also draw upon its $350,000 unused line of credit, which is described in Note 9, in the event of unanticipated financial circumstances or an immediate liquidity need resulting from events outside the typical business cycle of converting financial assets to cash or settling financial liabilities.

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, 2018 consist of the following:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond mutual funds – short-term index	$ 146,016	$ 0	$ 0	$ 146,016

Assets measured at fair value at December 31, 2017 consist of the following:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond mutual funds – short-term index	$ 144,073	$ 0	$ 0	$ 144,073

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:

	2018	2017
Land	$ 54,101	$ 54,101
Buildings and improvements	5,556,211	5,550,811
Furniture, equipment and software	848,842	754,779
Vehicles	207,616	207,616
Total	6,666,770	6,567,307
Accumulated depreciation	(3,590,819)	(3,308,309)
Property and equipment, net	$ 3,075,951	$ 3,258,998

NOTE 6 – IN-KIND CONTRIBUTIONS

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

	2018	2017
Food and clothing supplies	$ 229,501	$ 385,799
Security cameras and installation	65,000	
Other	8,611	28,738
Total in-kind contributions	$ 303,112	$ 414,537

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2018	2017
Undesignated	$ 509,437	$ 394,449
Property and equipment, net	3,075,951	3,258,998
Total net assets without donor restrictions	$ 3,585,388	$ 3,653,447

NOTE 8 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted as follows:

	2018	2017
Subject to spending for specified purpose:		
Furniture and equipment	$ 58,778	$ 50,816
Program expenses	50,000	74,638
Other		5,000
Total net assets with donor restrictions	$ 108,778	$ 130,454

NOTE 9 – 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. Management believes that the property is being operated in compliance with this agreement; therefore, no liability has been recognized in these financial statements.

Line of credit – In October 2017, Open Door renewed a $350,000 unsecured revolving line of credit with a bank to provide potential financing for cash flow purposes. The note bears interest at prime; however, the minimum interest rate is 4.5% and the maximum interest rate is 5.5%. At December 31, 2018, there were no amounts outstanding under this line of credit. The expiration date of the line of credit is October 7, 2019.

NOTE 10 – 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 $37,659 to the plan during 2018 and $33,366 during 2017.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 18, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, 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.