

**THE OPEN DOOR MISSION FOUNDATION**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2012**

# THE OPEN DOOR MISSION FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Open Door Mission Foundation  
Houston, Texas

### *Report on the Financial Statements*

We have audited the accompanying financial statements of The Open Door Mission Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the 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 The Open Door Mission Foundation as of December 31, 2012, and the changes in net assets, cash flows and functional expenses for the year ended in accordance with accounting principles generally accepted in the United States of America.

*David N. Miller & Company, LLP*

May 3, 2013

# THE OPEN DOOR MISSION FOUNDATION

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,617,695	\$ 2,018,513
Marketable investments	2,105	-
Promise to give	20,416	42,281
Employee receivable	-	6,038
Other receivables	1,000	3,800
Prepaid expenses and deposits	<u>51,475</u>	<u>2,243</u>
Total Current Assets	<u>1,692,691</u>	<u>2,072,875</u>
Property and Equipment		
Land, buildings and improvements	4,612,851	4,512,351
Furniture, equipment and software	879,280	837,532
Vehicles	235,963	235,963
Garden	<u>28,157</u>	<u>28,157</u>
	5,756,251	5,614,003
Less accumulated depreciation	<u>(2,472,590)</u>	<u>(2,198,783)</u>
	<u>3,283,661</u>	<u>3,415,220</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,976,352</u>	<u>\$ 5,488,095</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 35,737	\$ 71,232
Accrued liabilities	<u>2,207</u>	<u>49,654</u>
Total Current Liabilities	<u>37,944</u>	<u>120,886</u>
Net Assets		
Unrestricted	4,723,408	5,025,009
Temporarily restricted	<u>215,000</u>	<u>342,200</u>
Total Net Assets	<u>4,938,408</u>	<u>5,367,209</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 4,976,352</u>	<u>\$ 5,488,095</u>

The accompanying notes are an integral part of this financial statement.

# THE OPEN DOOR MISSION FOUNDATION

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED**  
**DECEMBER 31, 2011)**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT</b>				
Direct mail	\$ 1,169,260	\$ -	\$ 1,169,260	\$ 1,370,878
General contributions	814,628	174,888	989,516	1,571,295
In-kind contributions	628,574	-	628,574	697,087
Contributed property and equipment	10,000	-	10,000	73,243
Contributed marketable investments	2,105	-	2,105	-
Special events, net of expenses of \$102,066	<u>206,439</u>	<u>-</u>	<u>206,439</u>	<u>162,094</u>
<b>Total Public Support</b>	<u>2,831,006</u>	<u>174,888</u>	<u>3,005,894</u>	<u>3,874,597</u>
<b>REVENUES</b>				
Interest, dividends and other revenue	35,200	-	35,200	47,484
Proceeds on sale of van	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
<b>Total Revenues</b>	<u>35,200</u>	<u>-</u>	<u>35,200</u>	<u>50,484</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS BY PAYMENTS</b>				
Operations	<u>302,088</u>	<u>(302,088)</u>	<u>-</u>	<u>-</u>
<b>Total Releases</b>	<u>302,088</u>	<u>(302,088)</u>	<u>-</u>	<u>-</u>
<b>Total Public Support and Revenues</b>	<u>3,168,294</u>	<u>(127,200)</u>	<u>3,041,094</u>	<u>3,925,081</u>
<b>EXPENSES</b>				
Programs	2,792,091	-	2,792,091	3,018,284
Fundraising	490,743	-	490,743	585,766
Administration	<u>187,061</u>	<u>-</u>	<u>187,061</u>	<u>176,622</u>
<b>Total Expenses</b>	<u>3,469,895</u>	<u>-</u>	<u>3,469,895</u>	<u>3,780,672</u>
<b>CHANGES IN NET ASSETS</b>	(301,601)	(127,200)	(428,801)	144,409
<b>NET ASSETS, BEGINNING</b>	<u>5,025,009</u>	<u>342,200</u>	<u>5,367,209</u>	<u>5,222,800</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 4,723,408</u>	<u>\$ 215,000</u>	<u>\$ 4,938,408</u>	<u>\$ 5,367,209</u>

The accompanying notes are an integral part of this financial statement.

# THE OPEN DOOR MISSION FOUNDATION

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED DECEMBER 31, 2012 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011) INCREASE (DECREASE) IN CASH

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ (428,801)	\$ 144,409
Adjustments		
Depreciation	273,807	283,483
Gain from sale of property and equipment	-	(3,000)
Contributed property and equipment	(10,000)	(73,243)
Contributed marketable investments	(2,105)	-
Decrease (increase) in promises to give and other receivables	30,703	(1,770)
Decrease (increase) in prepaid expenses and deposits	(49,232)	25,854
Increase (decrease) in accounts payable	(35,495)	13,200
Increase (decrease) in accrued liabilities	<u>(47,447)</u>	<u>823</u>
<b>Net cash provided (used) by operating activities</b>	<u>(268,570)</u>	<u>389,756</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(132,248)	(153,451)
Proceeds from sale of property and equipment	<u>-</u>	<u>3,000</u>
<b>Net cash used by investing activities</b>	<u>(132,248)</u>	<u>(150,451)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(400,818)	239,305
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,018,513</u>	<u>1,779,208</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,617,695</u>	<u>\$ 2,018,513</u>

The accompanying notes are an integral part of this financial statement.

# THE OPEN DOOR MISSION FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2011)

	<u>2012</u>				<u>2011</u>
	<u>Programs</u>	<u>Fund-Raising</u>	<u>Administration</u>	<u>Total</u>	<u>Total</u>
Auto expense	28,825	1,240	930	30,995	41,638
Bank charges	-	5,771	-	5,771	15,714
Biofeedback services	119,262	-	-	119,262	144,929
Building - janitorial	28,671	1,233	925	30,829	23,034
Building - utilities	93,773	4,033	3,025	100,831	106,719
Building - waste collection	15,584	670	503	16,757	13,844
Community expense	2,192	-	-	2,192	-
Contract labor	75,232	3,236	2,427	80,895	24,876
Depreciation	254,641	10,952	8,214	273,807	283,483
Developmental costs					
Direct mail	99,570	184,915	-	284,485	409,377
Public relations	3,243	6,024	-	9,267	2,956
Other	25,049	46,521	-	71,570	60,738
Discipleship and music program	4,860	-	-	4,860	6,919
Doorway program	47,212	-	-	47,212	57,426
Drug testing	5,386	-	-	5,386	5,062
Dues and subscriptions	9,677	416	312	10,405	5,245
Food	74,375	-	-	74,375	103,684
In-kind donation expenses	628,574	-	-	628,574	697,087
Insurance	41,255	1,774	1,331	44,360	56,910
Learning center	9,670	-	-	9,670	8,632
Miscellaneous expense	4,803	207	154	5,164	3,829
Office expense	44,068	1,895	1,422	47,385	34,040
Payroll fees	7,613	327	246	8,186	-
Personnel expense	185,555	36,623	21,975	244,153	260,197
Postage	2,532	109	82	2,723	850
Professional services	-	-	34,274	34,274	14,976
Repairs and maintenance	20,326	874	656	21,856	37,455
Retirement plan	20,023	3,952	2,371	26,346	27,335
Salaries	903,972	178,416	107,049	1,189,437	1,280,001
Staff training and seminars	2,370	102	76	2,548	7,713
Telephone	33,778	1,453	1,089	36,320	46,003
<b>Total</b>	<b>\$ 2,792,091</b>	<b>\$ 490,743</b>	<b>\$ 187,061</b>	<b>\$ 3,469,895</b>	<b>\$ 3,780,672</b>

The accompanying notes are an integral part of this financial statement.



**THE OPEN DOOR MISSION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE A - ORGANIZATION**

The Open Door Mission Foundation (the Foundation) is a faith-based recovery and rehabilitation facility dedicated to transforming the lives of the addicted, destitute, homeless and disabled in Houston, Texas. Its programs include drug and alcohol recovery, a convalescent-respite center, transitional living and education.

**NOTE B - SUMMARY OF ACCOUNTING POLICIES**

Basis of accounting

The financial statements have been prepared using the accrual basis of accounting. Consequently, support and revenues and the related assets are recognized when earned and expenses are recognized when a liability is incurred. Accordingly, the financial statements are intended to present assets, liabilities, revenues, expenses and changes in net assets in conformity with accounting principles generally accepted in the United States of America.

Preparation of financial statements

The Foundation presents its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 958 regarding accounting for financial statements of not-for-profit organizations. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Support

The Foundation also follows ASC 958 regarding accounting for contributions received and contributions made. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets as net assets released from restrictions.

The Foundation records unconditional promises to give that are expected to be collected within one year at their realizable value. Conditional promises to give are not recorded as support until such time as the conditions are substantially met. The promise to give receivable at December 31, 2012 is expected to be collected within one year.

The Foundation records in-kind contributions at the estimated fair value of the gift. Food is recorded at the time of receipt, based on pre-established standards. Clothing donations are not recorded until distributed to clients or other tax exempt organizations at the estimated fair value for thrift store clothing. The Foundation also records donated services at fair value if the service would typically need to be purchased and required specialized skills.

# THE OPEN DOOR MISSION FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2012

### NOTE B - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### Marketable investments

The Foundation presents its marketable investments in accordance with ASC 958 regarding Accounting for Certain Investments Held by Non Profit Organizations. ASC 958 requires investments in marketable securities to be carried at fair market value. The fair market value is based on the quoted market value as obtained from an independent dealer-broker. Realized and unrealized gains and losses from marketable investment securities are reported in the accompanying statement of activities. Marketable investments consists of equity securities.

#### Fair value measurements

The financial statements reflect the adoption of ASC 820 regarding Fair Value Measurements. ASC 820 establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurement. In accordance with ASC 820, the Foundation classifies its marketable investments into Level 1, which refers to securities traded in an active market; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction; and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available. At December 31, 2012, all of the Foundation's marketable investments are considered Level 1.

#### Property, equipment, and depreciation

Property and equipment are recorded at cost, or, if donated, at fair market value on the date of donation. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Useful lives range from 5 to 32 years.

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Advertising, public relations and fundraising

Advertising expenditures, including public relations and fundraising expenses, are expensed as incurred.

# THE OPEN DOOR MISSION FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2012

### NOTE B - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### Functional expenses

Expenses have been allocated by function based on management's estimates of hours worked and square footage utilized.

#### Federal Income Tax

The Foundation is a not-for-profit organization that is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

#### Summarized Comparative Information

The prior year summarized financial information shown in the accompanying financial statements is included to provide a basis for comparison with the current year, and does not include the minimum information required for presentation in conformity with generally accepted accounting principles for the year ended December 31, 2011.

### NOTE C - CASH AND CASH EQUIVALENTS

A summary of cash and cash equivalents at December 31, 2012 follows:

Money market accounts	\$ 202,311
Checking accounts and other	461,450
Short-term highly liquid cash equivalents	<u>953,934</u>
	<u>\$ 1,617,695</u>

Interest and other income earned during 2012 from cash and cash equivalents amounted to \$22,875.

### NOTE D - MARKETABLE INVESTMENTS

Marketable investments at December 31, 2012 consists of 31 shares of donated Proctor & Gamble Co. common stock. This is classified as a Level 1 investment.

# THE OPEN DOOR MISSION FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2012

### NOTE E - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2012 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 54,101	\$ -
Buildings and improvements	4,558,750	(1,689,506)
Furniture, equipment and software	879,280	(612,594)
Vehicles	235,963	(166,110)
Garden	<u>28,157</u>	<u>(4,380)</u>
Total	<u>\$ 5,756,251</u>	<u>\$ (2,472,590)</u>

The Foundation executed a Deed of Trust in favor of the Federal Home Loan Bank of Atlanta (FHLBA) for a fifteen year period beginning September 2009. FHLBA provided the Foundation \$750,000 for the partial rehabilitation of one of its buildings. The Foundation used \$750,000 for its designated purpose in 2010. 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. Compliance is tested by the FHLBA every two years.

### NOTE F -NET ASSETS

A summary of unrestricted net assets at December 31, 2012 follows:

Investments in property and equipment	\$ 3,283,661
Board designated	953,934
Undesignated	<u>485,813</u>
Total	<u>\$ 4,723,408</u>

A summary of temporarily restricted net assets at December 31, 2012 follows:

Biofeedback improvements	\$ 5,000
Doorway program	10,000
Building addition	<u>200,000</u>
Total	<u>\$ 215,000</u>

# THE OPEN DOOR MISSION FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2012

### NOTE G - DIRECT MAIL REVENUES AND FUNDRAISING EXPENSES

The Foundation is a party to a various contracts for marketing and communications services provided by professional fundraising entities. The Foundation receives all revenues solicited directly by each fundraising campaign through the mail. Developmental costs in the statement of functional expenses includes \$284,485 of expenses incurred under these contracts. Of this amount \$99,570 has been allocated to programs and \$184,915 to fundraising. The fundraising amount approximates 16 percent of the direct mail support received.

### NOTE H - IN-KIND CONTRIBUTIONS AND EXPENSES

The statement of functional expenses for the year ended December 31, 2012 includes the following expenses from in-kind support:

Food	\$ 552,080
Clothing and other	<u>76,494</u>
Programs total	\$ <u>628,574</u>

### NOTE I - TAX MATTERS

The Foundation has reviewed its filing positions on its current income tax return, as well as all open tax years. The Foundation adopted the policy of recognizing interest and penalties, if any, related to unrecognized tax positions as income tax expense. The Foundation did not have any unrecognized tax positions or benefits for tax positions that did not meet the more likely than not criterion. Accordingly, there was no effect on the Foundation's financial condition or results of operations for the year ended December 31, 2012. The Federal tax returns of the Foundation for 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service.

### NOTE J - CONCENTRATIONS AND RISKS

During 2012 the Foundation maintained cash deposits at a bank in excess of the \$250,000 coverage provided by the Federal Deposit Insurance Corporation. At December 31, 2012, the Foundation had at risk approximately \$100,000.

The Foundation relies heavily on the support of the Houston community. It annually receives significant funding for its operation in the form of contributions from a number of organizations and individuals in the community and nationally. Most of these contributions are individually immaterial to the Foundation's operations. Many contributors are annual donors.

**THE OPEN DOOR MISSION FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE K - ECONOMIC CLIMATE**

Since 2009 and continuing through 2012, the financial markets experienced considerable stress and credit continues to tighten for some businesses and households. However, management believes the economy will improve and the Foundation will be able to continue its mission and operations in the future with considerable success.

**NOTE L- SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 6, 2013 which is the date the financial statements were available to be issued. Based on this evaluation, no adjustments to the financial statements were necessary.

David N. Miller  
Janet G. Martin  
Martin D. Belasco

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
The Open Door Mission Foundation  
Houston, Texas

Our report on our audit of the basic financial statements of The Open Door Mission Foundation as of December 31, 2012 appears on pages 3-4. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

*David N. Miller & Company, LLP*

May 3, 2013

**THE OPEN DOOR MISSION FOUNDATION**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**UNAUDITED**

**TOTAL NUMBER OF MEN SERVED** 2,146

**TOTAL NUMBER OF MEALS SERVED** 202,354

**ALLOCATION OF BEDS**

Doorway Recovery Program	70%
Disciple Partners/Transition Program	13%
Convalescent Care Center	17%

**RACE**

Black or African American	39%
White	56%
Asian	1%
Other	4%

**ETHNICITY**

Hispanic/Latino	14%
Non-Hispanic/Latino	86%

**SERVICES PROVIDED**

Total Social Services Requests Served	67,387
Gold Cards	280
Housing Assistance	186
Legal Assistance	512
Health/Medical/Vision Assistance	1,787
Items of Clothing Provided	11,384
Convalescent Men Served	373
G.E.D. Graduates	56
Education Hours Provided	20,532