The Open Door Mission Foundation

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2013

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
The Open Door Mission Foundation:

We have audited the accompanying financial statements of The Open Door Mission Foundation, which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, of functional expenses, and of cash flows 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 our audit 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 The Open Door Mission Foundation as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

September 4, 2014

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The Open Door Mission Foundation

Statement of Financial Position as of December 31, 2013

ASSETS

Cash	$ 493,197
Investments *(Note 2)*	654,317
Prepaid expenses	22,092
Cash restricted for capital projects	179,893
Property and equipment, net *(Note 3)*	3,168,927
TOTAL ASSETS	$ 4,518,426

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	$ 161,399
Commitments and contingencies *(Note 6)*	
Net assets:	
Unrestricted	4,096,727
Temporarily restricted *(Note 5)*	260,300
Total net assets	4,357,027
TOTAL LIABILITIES AND NET ASSETS	$ 4,518,426

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Activities for the year ended December 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Contributions	$ 1,293,949	$ 782,914	$ 2,076,863
In-kind contributions *(Note 4)*	664,452	74,780	739,232
Other income	27,818		27,818
Total	1,986,219	857,694	2,843,913
Net assets released from restrictions for program expenditures	812,394	(812,394)	
Total revenue	2,798,613	45,300	2,843,913
EXPENSES:			
Program services	2,442,391		2,442,391
Management and general	240,228		240,228
Fundraising	742,675		742,675
Total expenses	3,425,294		3,425,294
CHANGES IN NET ASSETS	(626,681)	45,300	(581,381)
Net assets, beginning of year	4,723,408	215,000	4,938,408
Net assets, end of year	$ 4,096,727	$ 260,300	$ 4,357,027

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Functional Expenses for the year ended December 31, 2013

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 893,068	$ 77,276	$ 148,286	$ 1,118,630
Employee benefits	96,783	11,749	17,919	126,451
Payroll taxes	64,475	6,273	9,165	79,913
In-kind food and clothing supplies	589,191			589,191
Direct mail:				
Acquisition – donor lists, postage, and printing			276,248	276,248
Cultivation – postage and printing		59,086	223,996	283,082
Depreciation	289,058	4,453	3,821	297,332
Building related costs	219,792	3,357	3,324	226,473
Program supplies	82,607			82,607
Professional services	84,791	31,493		116,284
Telephone, internet and computer	34,064	645	26,221	60,930
Bank services		34,035		34,035
Printing and media	17,382	847	6,680	24,909
Vehicle repairs	22,932			22,932
Postage	1,283	20	19,384	20,687
Travel	11,307		609	11,916
Training	1,023		244	1,267
Other	34,635	10,994	6,778	52,407
Total expenses	$ 2,442,391	$ 240,228	$ 742,675	$ 3,425,294

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Cash Flows for the year ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	$ (581,381)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	297,332
Net realized and unrealized loss on investments	11,503
Donated property and equipment	(118,605)
Changes in operating assets and liabilities:	
Pledges receivable	21,416
Prepaid expenses	29,383
Accounts payable and accrued liabilities	123,455
Net cash used by operating activities	(216,897)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in cash restricted for capital projects	22,418
Purchases of property and equipment	(63,993)
Sale of investments	290,219
Net cash provided by investing activities	248,644
NET CHANGE IN CASH	31,747
Cash, beginning of year	461,450
Cash, end of year	$ 493,197

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

Federal income tax status – The Foundation 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). The Foundation files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. The Foundation believes it is no longer subject to examinations of returns for tax years ended before December 31, 2010.

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

Investments are reported at fair value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions.

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 $500 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 32 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or future time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

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 restricted support.

Donated materials and services – Donated materials are recognized as contributions at fair value 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.

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 – 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, 2013 consist of the following:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond mutual funds – short-term index	$ 654,317	$ 0	$ 0	$ 654,317

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 the Foundation 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.

Investment return at December 31, 2013 includes earnings on cash and consists of the following:

Net realized and unrealized loss on investments	$ (11,503)
Interest and dividends	11,886
Total investment return	$ 383

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consists of the following:

Land	$ 54,100
Buildings and improvements	4,495,000
Furniture, equipment and software	640,494
Vehicles	172,835
NoorWood House – construction in progress	170,780
Total	5,533,209
Accumulated depreciation	(2,364,282)
Property and equipment, net	$ 3,168,927

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions at December 31, 2013 consist of the following:

Food	$ 535,571
Building materials	118,605
Other	85,056
Total in-kind contributions	$ 739,232

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

Building additions	$ 185,000
In-kind donations – building materials	74,780
Other	520
Total temporarily restricted net assets	$ 260,300

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Foundation 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 the Foundation $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.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 4, 2014, 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.