

The Open Door Mission Foundation

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2014 and 2013

The Open Door Mission Foundation

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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 statements of financial position as of December 31, 2014 and 2013 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.

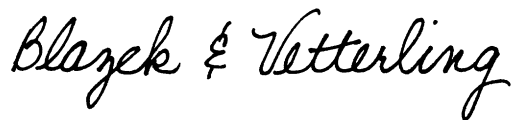
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 The Open Door Mission Foundation as of December 31, 2014 and 2013 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.



August 10, 2015

The Open Door Mission Foundation

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 385,575	\$ 493,197
Investments (<i>Note 2</i>)	360,975	654,317
Prepaid expenses	15,996	22,092
Pledges receivable	134,195	
Cash restricted for capital projects	30,171	179,893
Property and equipment, net (<i>Note 3</i>)	<u>3,071,515</u>	<u>3,168,927</u>
TOTAL ASSETS	<u>\$ 3,998,427</u>	<u>\$ 4,518,426</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 63,893</u>	<u>\$ 161,399</u>
Commitments and contingencies (<i>Note 6</i>)		
Net assets:		
Unrestricted	3,795,055	4,096,727
Temporarily restricted (<i>Note 5</i>)	<u>139,479</u>	<u>260,300</u>
Total net assets	<u>3,934,534</u>	<u>4,357,027</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,998,427</u>	<u>\$ 4,518,426</u>

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 1,963,655	\$ 147,500	\$ 2,111,155
In-kind contributions (<i>Note 4</i>)	676,590		676,590
Special event	278,333		278,333
Direct donor benefits	(67,066)		(67,066)
Other income	42,299		42,299
	<hr/>	<hr/>	<hr/>
Total	2,893,811	147,500	3,041,311
Net assets released from restrictions:			
Property and equipment expenditures	205,450	(205,450)	
Program expenditures	62,871	(62,871)	
	<hr/>	<hr/>	<hr/>
Total revenue	3,162,132	(120,821)	3,041,311
EXPENSES:			
Program services	2,494,631		2,494,631
Management and general	272,770		272,770
Fundraising	696,403		696,403
	<hr/>		<hr/>
Total expenses	3,463,804		3,463,804
CHANGES IN NET ASSETS			
	(301,672)	(120,821)	(422,493)
Net assets, beginning of year	4,096,727	260,300	4,357,027
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Net assets, end of year	\$ 3,795,055	\$ 139,479	\$ 3,934,534

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Activities for the year ended December 31, 2013

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

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statement of Functional Expenses for the year ended December 31, 2014

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 933,779	\$ 97,076	\$ 191,432	\$ 1,222,287
Employee benefits	88,482	11,094	17,871	117,447
Payroll taxes	67,420	7,227	13,064	87,711
In-kind food and clothing supplies	638,344	3,732		642,076
Direct mail:				
Cultivation – postage and printing		56,055	260,323	316,378
Acquisition – donor lists, postage, and printing			100,148	100,148
Depreciation	255,926	3,589	3,080	262,595
Occupancy	195,267	1,633	1,402	198,302
Telephone, internet and computer	78,262	851	18,519	97,632
Program supplies	93,990			93,990
Insurance	71,677	1,717	2,410	75,804
Special event			50,922	50,922
Professional services	1,226	39,128	604	40,958
Bank services		34,020		34,020
Printing and media	16,027	791	12,476	29,294
Vehicle repairs	26,602	324	278	27,204
Postage	1,357	19	14,592	15,968
Training	663	840	1,682	3,185
Travel	214	614	1,802	2,630
Other	<u>25,395</u>	<u>14,060</u>	<u>5,798</u>	<u>45,253</u>
Total expenses	<u>\$ 2,494,631</u>	<u>\$ 272,770</u>	<u>\$ 696,403</u>	<u>\$ 3,463,804</u>

See accompanying notes to financial statements.

The Open Door Mission Foundation

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

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
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:				
Cultivation – postage and printing		59,086	223,996	283,082
Acquisition – donor lists, postage, and printing			276,248	276,248
Depreciation	289,058	4,453	3,821	297,332
Occupancy	164,893	1,973	1,679	168,545
Telephone, internet and computer	34,064	645	26,221	60,930
Program supplies	82,607			82,607
Insurance	54,899	1,384	1,645	57,928
Professional services	84,791	31,493		116,284
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
Training	1,023		244	1,267
Travel	11,307		609	11,916
Other	<u>34,635</u>	<u>10,994</u>	<u>6,778</u>	<u>52,407</u>
Total expenses	<u>\$ 2,442,391</u>	<u>\$ 240,228</u>	<u>\$ 742,675</u>	<u>\$ 3,425,294</u>

See accompanying notes to financial statements.

The Open Door Mission Foundation

Statements of Cash Flows for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (422,493)	\$ (581,381)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	262,595	297,332
Net realized and unrealized (gain) loss on investments	(20)	11,503
Donated property and equipment	(34,513)	(118,605)
Changes in operating assets and liabilities:		
Prepaid expenses	6,096	29,383
Pledges receivable	(134,195)	21,416
Accounts payable and accrued liabilities	<u>(97,506)</u>	<u>123,455</u>
Net cash used by operating activities	<u>(420,036)</u>	<u>(216,897)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital projects	149,722	22,418
Purchases of property and equipment	(130,670)	(63,993)
Purchase of investments	(6,638)	
Sale of investments	<u>300,000</u>	<u>290,219</u>
Net cash provided by investing activities	<u>312,414</u>	<u>248,644</u>
NET CHANGE IN CASH	(107,622)	31,747
Cash, beginning of year	<u>493,197</u>	<u>461,450</u>
Cash, end of year	<u>\$ 385,575</u>	<u>\$ 493,197</u>

See accompanying notes to financial statements.

The Open Door Mission Foundation

Notes to Financial Statements for the years ended December 31, 2014 and 2013

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, 2011.

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.

Pledges 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, 2014, all pledges are due in 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 \$500 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:

- *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.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

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, 2014 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>360,975</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>360,975</u>

Assets measured at fair value at December 31, 2013 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>654,317</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>654,317</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 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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	4,745,790	4,495,000
Furniture, equipment and software	601,979	640,493
Vehicles	172,835	172,835
NoorWood House – construction in progress	<u> </u>	<u>170,780</u>
Total	5,574,705	5,533,209
Accumulated depreciation	<u>(2,503,190)</u>	<u>(2,364,282)</u>
Property and equipment, net	<u>\$ 3,071,515</u>	<u>\$ 3,168,927</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2014</u>	<u>2013</u>
Food	\$ 564,366	\$ 535,571
Property and equipment	34,513	118,605
Other	<u>77,711</u>	<u>85,056</u>
Total in-kind contributions	<u>\$ 676,590</u>	<u>\$ 739,232</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Future periods	\$ 75,000	
Furniture and equipment	30,000	
Building additions	29,479	\$ 185,000
In-kind donations – building materials		74,780
Other	<u>5,000</u>	<u>520</u>
Total temporarily restricted net assets	<u>\$ 139,479</u>	<u>\$ 260,300</u>

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 – RETIREMENT PLAN

Substantially all Foundation 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. The Foundation matches 100% of employee contributions up to 4% of salary. The Foundation contributed \$33,281 to the plan during 2014 and \$24,664 during 2013.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 10, 2015, 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.
