

Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2015 and 2014

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, 2015 and 2014 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, 2015 and 2014 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.

Blazek & Vetterling

August 8, 2016

Open Door Mission

Statements of Financial Position as of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 468,788	\$ 385,575
Investments (<i>Note 2</i>)	140,306	360,975
Prepaid expenses	12,383	15,996
Pledges receivable		134,195
Cash restricted for capital projects	99,229	30,171
Property and equipment, net (<i>Note 3</i>)	<u>2,920,408</u>	<u>3,071,515</u>
TOTAL ASSETS	<u>\$ 3,641,114</u>	<u>\$ 3,998,427</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 76,788</u>	<u>\$ 63,893</u>
Commitments and contingencies (<i>Note 6</i>)		
Net assets:		
Unrestricted	3,377,771	3,795,055
Temporarily restricted (<i>Note 5</i>)	<u>186,555</u>	<u>139,479</u>
Total net assets	<u>3,564,326</u>	<u>3,934,534</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,641,114</u>	<u>\$ 3,998,427</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 1,915,417	\$ 247,432	\$ 2,162,849
In-kind contributions (<i>Note 4</i>)	595,388		595,388
Special event	309,270		309,270
Direct donor benefits	(132,121)		(132,121)
Other income	<u>53,861</u>	<u></u>	<u>53,861</u>
Total	2,741,815	247,432	2,989,247
Net assets released from restrictions:			
Property and equipment expenditures	92,395	(92,395)	
Program expenditures	<u>107,961</u>	<u>(107,961)</u>	<u></u>
Total revenue	<u>2,942,171</u>	<u>47,076</u>	<u>2,989,247</u>
EXPENSES:			
Program services	2,377,785		2,377,785
Management and general	247,369		247,369
Fundraising	<u>734,301</u>	<u></u>	<u>734,301</u>
Total expenses	<u>3,359,455</u>	<u></u>	<u>3,359,455</u>
CHANGES IN NET ASSETS	(417,284)	47,076	(370,208)
Net assets, beginning of year	<u>3,795,055</u>	<u>139,479</u>	<u>3,934,534</u>
Net assets, end of year	<u>\$ 3,377,771</u>	<u>\$ 186,555</u>	<u>\$ 3,564,326</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY 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
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)	
Total revenue	<u>3,162,132</u>	<u>(120,821)</u>	<u>3,041,311</u>
EXPENSES:			
Program services	2,494,631		2,494,631
Management and general	272,770		272,770
Fundraising	696,403		696,403
Total expenses	<u>3,463,804</u>		<u>3,463,804</u>
CHANGES IN NET ASSETS	(301,672)	(120,821)	(422,493)
Net assets, beginning of year	<u>4,096,727</u>	<u>260,300</u>	<u>4,357,027</u>
Net assets, end of year	<u>\$ 3,795,055</u>	<u>\$ 139,479</u>	<u>\$ 3,934,534</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2015

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 851,997	\$ 101,067	\$ 208,838	\$ 1,161,902
Employee benefits	114,676	14,637	27,874	157,187
Payroll taxes	60,934	7,512	15,025	83,471
In-kind food and clothing supplies	595,388			595,388
Direct mail:				
Cultivation – postage and printing		45,563	267,375	312,938
Acquisition – donor lists, postage, and printing			82,222	82,222
Depreciation	265,224	3,812	3,268	272,304
Occupancy	206,315	2,057	1,762	210,134
Supplies	92,704	1,481	20,872	115,057
Telephone, internet and computer	56,030	739	17,985	74,754
Insurance	66,659	1,801	2,635	71,095
Professional services	946	22,075	34,634	57,655
Printing and media	11,029		31,073	42,102
Bank services		31,542		31,542
Vehicle repairs	25,949	357	306	26,612
Postage	1,096	16	11,030	12,142
Travel	469	1,335	4,181	5,985
Training	907	22	368	1,297
Other	<u>27,462</u>	<u>13,353</u>	<u>4,853</u>	<u>45,668</u>
Total expenses	<u>\$ 2,377,785</u>	<u>\$ 247,369</u>	<u>\$ 734,301</u>	3,359,455
Direct donor benefits				<u>132,121</u>
Total				<u>\$ 3,491,576</u>

See accompanying notes to financial statements.

Open Door Mission

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
Supplies	93,990		17,959	111,949
Telephone, internet and computer	78,262	851	18,519	97,632
Insurance	71,677	1,717	2,410	75,804
Professional services	1,226	39,128	33,567	73,921
Printing and media	16,027	791	12,476	29,294
Bank services		34,020		34,020
Vehicle repairs	26,602	324	278	27,204
Postage	1,357	19	14,592	15,968
Travel	214	614	1,802	2,630
Training	663	840	1,682	3,185
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>	3,463,804
Direct donor benefits				<u>67,066</u>
Total				<u>\$ 3,530,870</u>

See accompanying notes to financial statements.

Open Door Mission

Statements of Cash Flows for the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (370,208)	\$ (422,493)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	272,304	262,595
Net realized and unrealized gain on investments	(212)	(20)
Donated property and equipment		(34,513)
Changes in operating assets and liabilities:		
Prepaid expenses	3,613	6,096
Pledges receivable	134,195	(134,195)
Accounts payable and accrued liabilities	<u>12,895</u>	<u>(97,506)</u>
Net cash provided (used) by operating activities	<u>52,587</u>	<u>(420,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital projects	(69,058)	149,722
Purchases of property and equipment	(121,197)	(130,670)
Purchase of investments	(4,119)	(6,638)
Sale of investments	<u>225,000</u>	<u>300,000</u>
Net cash provided by investing activities	<u>30,626</u>	<u>312,414</u>
NET CHANGE IN CASH	83,213	(107,622)
Cash, beginning of year	<u>385,575</u>	<u>493,197</u>
Cash, end of year	<u>\$ 468,788</u>	<u>\$ 385,575</u>

See accompanying notes to financial statements.

Open Door Mission

Notes to Financial Statements for the years ended December 31, 2015 and 2014

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 Mission’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 online 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. 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.

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, 2015 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	\$ 140,306	\$ 0	\$ 0	\$ 140,306

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	\$ 360,975	\$ 0	\$ 0	\$ 360,975

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 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	4,800,040	4,745,790
Furniture, equipment and software	668,926	601,979
Vehicles	<u>172,835</u>	<u>172,835</u>
Total	5,695,902	5,574,705
Accumulated depreciation	<u>(2,775,494)</u>	<u>(2,503,190)</u>
Property and equipment, net	<u>\$ 2,920,408</u>	<u>\$ 3,071,515</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2015</u>	<u>2014</u>
Food and food supplies	\$ 554,720	\$ 564,366
Property and equipment		34,513
Other	<u>40,668</u>	<u>77,711</u>
Total in-kind contributions	<u>\$ 595,388</u>	<u>\$ 676,590</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Building additions	\$ 99,229	\$ 29,479
Ministry/Discipleship Program	50,000	
Furniture and equipment	32,326	30,000
Future periods		75,000
Other	<u>5,000</u>	<u>5,000</u>
Total temporarily restricted net assets	<u>\$ 186,555</u>	<u>\$ 139,479</u>

NOTE 6 – 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.

NOTE 7 – 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 \$36,572 to the plan during 2015 and \$33,281 during 2014.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2016, 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.
