

Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2016 and 2015

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, 2016 and 2015 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.

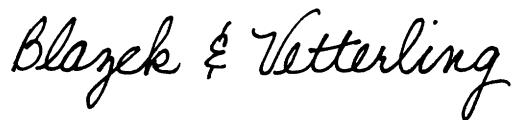
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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, 2016 and 2015 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.



June 27, 2017

Open Door Mission

Statements of Financial Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 452,913	\$ 468,788
Investments (<i>Note 2</i>)	142,397	140,306
Prepaid expenses	12,043	12,383
Pledges receivable	75,000	
Cash restricted for capital projects	60,615	99,229
Property and equipment, net (<i>Note 3</i>)	<u>3,433,587</u>	<u>2,920,408</u>
TOTAL ASSETS	<u>\$ 4,176,555</u>	<u>\$ 3,641,114</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 44,950</u>	<u>\$ 76,788</u>
Commitments and contingencies (<i>Note 7</i>)		
Net assets:		
Unrestricted (<i>Note 5</i>)	3,285,470	3,377,771
Temporarily restricted (<i>Note 6</i>)	<u>846,135</u>	<u>186,555</u>
Total net assets	<u>4,131,605</u>	<u>3,564,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,176,555</u>	<u>\$ 3,641,114</u>

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 1,912,207	\$ 920,445	\$ 2,832,652
In-kind contributions (<i>Note 4</i>)	580,390		580,390
Special event	303,397		303,397
Direct donor benefits	(89,711)		(89,711)
Other income	37,468		37,468
Total	<u>2,743,751</u>	<u>920,445</u>	<u>3,664,196</u>
Net assets released from restrictions:			
Property and equipment expenditures	128,170	(128,170)	
Program expenditures	<u>132,695</u>	<u>(132,695)</u>	
Total revenue	<u>3,004,616</u>	<u>659,580</u>	<u>3,664,196</u>
EXPENSES:			
Program services	2,142,532		2,142,532
Management and general	248,513		248,513
Fundraising	<u>705,872</u>		<u>705,872</u>
Total expenses	<u>3,096,917</u>		<u>3,096,917</u>
CHANGES IN NET ASSETS	(92,301)	659,580	567,279
Net assets, beginning of year	<u>3,377,771</u>	<u>186,555</u>	<u>3,564,326</u>
Net assets, end of year	<u>\$ 3,285,470</u>	<u>\$ 846,135</u>	<u>\$ 4,131,605</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 Functional Expenses for the year ended December 31, 2016

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 728,926	\$ 121,243	\$ 234,117	\$ 1,084,286
Employee benefits	73,165	13,104	22,932	109,201
Payroll taxes	50,479	9,041	15,822	75,342
In-kind food and clothing supplies	580,390			580,390
Direct mail:				
Cultivation – postage and printing		16,539	283,992	300,531
Acquisition – donor lists, postage, and printing			54,716	54,716
Depreciation	245,848	3,448	2,959	252,255
Occupancy	181,250	1,796	1,541	184,587
Supplies	120,484	2,309	52,059	174,852
Insurance	71,331	2,154	2,966	76,451
Telephone, internet and computer	48,768	661	16,485	65,914
Bank services		49,107		49,107
Professional services		20,396	1,446	21,842
Vehicle repairs	17,360			17,360
Printing and media	5,153		10,860	16,013
Training	310	4,078	348	4,736
Travel	363	1,043	413	1,819
Other	<u>18,705</u>	<u>3,594</u>	<u>5,216</u>	<u>27,515</u>
Total expenses	<u>\$ 2,142,532</u>	<u>\$ 248,513</u>	<u>\$ 705,872</u>	3,096,917
Direct donor benefits				<u>89,711</u>
Total				<u>\$ 3,186,628</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
Insurance	66,659	1,801	2,635	71,095
Telephone, internet and computer	56,030	739	17,985	74,754
Bank services		31,542		31,542
Professional services	946	22,075	34,634	57,655
Vehicle repairs	25,949	357	306	26,612
Printing and media	11,029		31,073	42,102
Training	907	22	368	1,297
Travel	469	1,335	4,181	5,985
Postage	1,096	16	11,030	12,142
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

Statements of Cash Flows for the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 567,279	\$ (370,208)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	252,255	272,304
Net realized and unrealized (gain) loss on investments	22	(212)
Contributions restricted for capital	(683,000)	
Changes in operating assets and liabilities:		
Prepaid expenses	340	3,613
Pledges receivable	(50,000)	134,195
Accounts payable and accrued liabilities	<u>(31,838)</u>	<u>12,895</u>
Net cash provided by operating activities	<u>55,058</u>	<u>52,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital projects	38,614	(69,058)
Purchases of property and equipment	(765,434)	(121,197)
Purchase of investments	(2,113)	(4,119)
Sale of investments	<u> </u>	<u>225,000</u>
Net cash provided (used) by investing activities	<u>(728,933)</u>	<u>30,626</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital contributions	<u>658,000</u>	
NET CHANGE IN CASH	(15,875)	83,213
Cash, beginning of year	<u>468,788</u>	<u>385,575</u>
Cash, end of year	<u>\$ 452,913</u>	<u>\$ 468,788</u>

See accompanying notes to financial statements.

Open Door Mission

Notes to Financial Statements for the years ended December 31, 2016 and 2015

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. At December 31, 2016, pledges receivable were due to be received 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 \$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.

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, 2016 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>142,397</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>142,397</u>

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	\$ <u>140,306</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>140,306</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 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>2016</u>	<u>2015</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	4,843,058	4,800,040
Furniture, equipment and software	719,583	668,926
Vehicles	207,616	172,835
Construction in progress	<u>636,978</u>	<u> </u>
Total	6,461,336	5,695,902
Accumulated depreciation	<u>(3,027,749)</u>	<u>(2,775,494)</u>
Property and equipment, net	<u>\$ 3,433,587</u>	<u>\$ 2,920,408</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2016</u>	<u>2015</u>
Food and clothing supplies	\$ 524,142	\$ 554,720
Other	<u>56,248</u>	<u>40,668</u>
Total in-kind contributions	<u>\$ 580,390</u>	<u>\$ 595,388</u>

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Undesignated	\$ 403,246	\$ 358,134
Restricted for capital projects, cash and pledges	85,615	99,229
Property and equipment, net	<u>2,796,609</u>	<u>2,920,408</u>
Total unrestricted net assets	<u>\$ 3,285,470</u>	<u>\$ 3,377,771</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Building improvements and additions	\$ 722,593	\$ 99,229
Future periods	50,000	
Program expenses	35,000	
Furniture and equipment	33,542	32,326
Ministry/Discipleship Program		50,000
Other	<u>5,000</u>	<u>5,000</u>
Total temporarily restricted net assets	<u>\$ 846,135</u>	<u>\$ 186,555</u>

NOTE 7 – 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 2016, Open Door obtained 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, 2016, there were no amounts outstanding under this line of credit. The expiration date of the line of credit is October 7, 2017.

Construction commitment – Open Door has a contract for building improvements. At December 31, 2016, the total outstanding commitment on this contract is approximately \$70,000.

NOTE 8 – 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 \$32,804 to the plan during 2016 and \$36,572 during 2015.

NOTE 9 – RELATED PARTY TRANSACTION

During 2016, a company owned by an Open Door board member was paid approximately \$656,000 related to a contract for building improvements.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 27, 2017, 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.