

# **Open Door Mission**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2019 and 2018

# Open Door Mission

## Table of Contents

---

	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of December 31, 2019 and 2018	2
Statement of Activities for the year ended December 31, 2019	3
Statement of Activities for the year ended December 31, 2018	4
Statement of Functional Expenses for the year ended December 31, 2019	5
Statement of Functional Expenses for the year ended December 31, 2018	6
Statements of Cash Flows for the years ended December 31, 2019 and 2018	7
Notes to Financial Statements for the years ended December 31, 2019 and 2018	8

---

**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, 2019 and 2018 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, 2019 and 2018 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*

May 22, 2020

## Open Door Mission

Statements of Financial Position as of December 31, 2019 and 2018

---

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 546,829	\$ 418,976
Investments ( <i>Note 4</i> )	153,106	146,016
Prepaid expenses and other assets	27,850	14,085
Contributions receivable		50,000
Property and equipment, net ( <i>Note 5</i> )	<u>2,801,453</u>	<u>3,075,951</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,529,238</u></b>	<b><u>\$ 3,705,028</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 13,221</u>	<u>\$ 10,862</u>
Commitments and contingencies ( <i>Note 8</i> )		
Net assets:		
Without donor restrictions	3,434,269	3,585,388
With donor restrictions ( <i>Note 7</i> )	<u>81,748</u>	<u>108,778</u>
Total net assets	<u>3,516,017</u>	<u>3,694,166</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,529,238</u></b>	<b><u>\$ 3,705,028</u></b>

*See accompanying notes to financial statements.*

---

## Open Door Mission

Statement of Activities for the year ended December 31, 2019

---

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 2,027,416	\$ 35,000	\$ 2,062,416
In-kind contributions ( <i>Note 6</i> )	436,235		436,235
Program service revenues	91,189		91,189
Other income	29,214		29,214
Total revenue	2,584,054	35,000	2,619,054
Net assets released from restrictions:			
Property and equipment expenditures	5,003	(5,003)	
Program expenditures	57,027	(57,027)	
Total	2,646,084	(27,030)	2,619,054
EXPENSES:			
Recovery programs	2,169,544		2,169,544
Management and general	232,523		232,523
Fundraising	395,136		395,136
Total expenses	2,797,203		2,797,203
CHANGES IN NET ASSETS	(151,119)	(27,030)	(178,149)
Net assets, beginning of year	3,585,388	108,778	3,694,166
Net assets, end of year	\$ 3,434,269	\$ 81,748	\$ 3,516,017

*See accompanying notes to financial statements.*

---

## Open Door Mission

Statement of Activities for the year ended December 31, 2018

---

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,351,155	\$ 206,100	\$ 1,557,255
In-kind contributions ( <i>Note 6</i> )	303,112		303,112
Special event	486,649		486,649
Direct donor benefits	(81,399)		(81,399)
Program service revenues	168,863		168,863
Other income	22,404		22,404
	<hr/>	<hr/>	<hr/>
Total revenue	2,250,784	206,100	2,456,884
Net assets released from restrictions:			
Property and equipment expenditures	46,443	(46,443)	
Program expenditures	181,333	(181,333)	
	<hr/>	<hr/>	<hr/>
Total	2,478,560	(21,676)	2,456,884
EXPENSES:			
Recovery programs	1,927,311		1,927,311
Management and general	216,779		216,779
Fundraising	402,529		402,529
	<hr/>	<hr/>	<hr/>
Total expenses	2,546,619		2,546,619
CHANGES IN NET ASSETS			
	(68,059)	(21,676)	(89,735)
Net assets, beginning of year	<hr/> 3,653,447	<hr/> 130,454	<hr/> 3,783,901
Net assets, end of year	<hr/> <u>\$ 3,585,388</u>	<hr/> <u>\$ 108,778</u>	<hr/> <u>\$ 3,694,166</u>

*See accompanying notes to financial statements.*

---

## Open Door Mission

### Statement of Functional Expenses for the year ended December 31, 2019

---

	<u>RECOVERY PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 774,701	\$ 135,741	\$ 208,273	\$ 1,118,715
Employee benefits	120,856	21,018	33,279	175,153
Payroll taxes	55,863	9,715	15,383	80,961
In-kind food and clothing supplies	436,235			436,235
Depreciation	289,852	4,065	3,489	297,406
Utilities	116,392	1,410	1,210	119,012
Supplies	76,175	12,801	19,871	108,847
Telephone, internet and computer	76,112	1,053	20,182	97,347
Insurance	85,200	2,422	3,047	90,669
Direct mail:				
Cultivation – postage and printing			56,968	56,968
Repairs and maintenance	52,729	739	635	54,103
Security	50,562			50,562
Professional services		20,150	20,860	41,010
Bank services		17,764		17,764
Equipment rental	8,741	1,520	5,751	16,012
Vehicle repairs	15,807			15,807
Travel	4,203	2,296	1,028	7,527
Printing and media	1,779		3,378	5,157
Other	<u>4,337</u>	<u>1,829</u>	<u>1,782</u>	<u>7,948</u>
Total expenses	<u>\$ 2,169,544</u>	<u>\$ 232,523</u>	<u>\$ 395,136</u>	<u>\$ 2,797,203</u>

*See accompanying notes to financial statements.*

---

## Open Door Mission

### Statement of Functional Expenses for the year ended December 31, 2018

---

	<u>RECOVERY PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 788,214	\$ 125,381	\$ 207,365	\$ 1,120,960
Employee benefits	105,485	16,576	28,632	150,693
Payroll taxes	56,387	8,861	15,305	80,553
In-kind food and clothing supplies	238,112			238,112
Depreciation	287,912	4,038	3,465	295,415
Utilities	106,989	1,290	1,107	109,386
Supplies	86,321	7,199	33,340	126,860
Telephone, internet and computer	62,211	846	25,756	88,813
Insurance	72,406	2,077	2,796	77,279
Direct mail:				
Cultivation – postage and printing			48,999	48,999
Repairs and maintenance	47,190	662	568	48,420
Security	41,484			41,484
Professional services		19,268	24,490	43,758
Bank services		23,371		23,371
Equipment rental	9,007	1,415	6,096	16,518
Vehicle repairs	15,166			15,166
Travel	2,215	4,225	968	7,408
Printing and media	356		3,544	3,900
Other	<u>7,856</u>	<u>1,570</u>	<u>98</u>	<u>9,524</u>
Total expenses	<u>\$ 1,927,311</u>	<u>\$ 216,779</u>	<u>\$ 402,529</u>	2,546,619
Direct donor benefits				<u>81,399</u>
Total				<u>\$ 2,628,018</u>

*See accompanying notes to financial statements.*

---



## Open Door Mission

### Statements of Cash Flows for the years ended December 31, 2019 and 2018

---

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (178,149)	\$ (89,735)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	297,406	295,415
Net realized and unrealized loss on investments	(3,703)	956
In-kind contributions of property		(65,000)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(13,765)	17,595
Contributions receivable	50,000	(50,000)
Accounts payable and accrued liabilities	<u>2,359</u>	<u>(35,775)</u>
Net cash provided by operating activities	<u>154,148</u>	<u>73,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(22,908)	(47,368)
Purchase of investments	<u>(3,387)</u>	<u>(2,899)</u>
Net cash used by investing activities	<u>(26,295)</u>	<u>(50,267)</u>
NET CHANGE IN CASH	127,853	23,189
Cash, beginning of year	<u>418,976</u>	<u>395,787</u>
Cash, end of year	<u>\$ 546,829</u>	<u>\$ 418,976</u>

*See accompanying notes to financial statements.*

---

## Open Door Mission

Notes to Financial Statements for the years ended December 31, 2019 and 2018

---

### 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 offers residents through its education and technology center, GED services, post secondary education on-line classes, and basic computer classes. Open Door’s Convalescent Care Center can house up to 33 homeless men who have been released from care who need extended convalescence and monitoring following illness.

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. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Contributions 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 \$5,000 are capitalized. Depreciation is provided using the straight-line method over estimated useful lives of 5 to 30 years.

Net asset classification – Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

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 with donor restrictions. Conditional contributions are subject to one or more barriers that must be overcome before Open Door is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions are met.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when an event occurs. Direct donor benefits provided at fundraising events represent the cost of goods and services provided to attendees of an event.

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

Revenue recognition – Program service revenues are derived from rental payments, client subsidy payments, and catering training programs and are recognized at a point in time when services are provided. There are no contract assets or liabilities resulting from program service revenue at December 31, 2019 and 2018.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of property and equipment, occupancy costs, and information technology costs are allocated based on square footage.

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 – ADOPTION OF ACCOUNTING STANDARD**

Effective January 1, 2019, Open Door adopted the guidance in Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. The core principle of this new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. Also, effective January 1, 2019, Open Door adopted the guidance in Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2018. Because the timing and amount of revenue recognized previously is not different from revenue recognized under the new guidance, adoption of

these standards had no impact on total beginning or ending net assets or on total changes in net assets for the year ended December 31, 2018. Presentation and disclosure pertaining to the year ended December 31, 2018 have been updated as appropriate to conform to the new standards.

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 546,829	\$ 418,976
Investments	153,106	146,016
Other assets (receivables)	5,091	2,917
Contributions receivable	<u>                    </u>	<u>50,000</u>
Total financial assets	<u>705,026</u>	<u>617,909</u>
Less financial assets not available for general expenditure:		
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>8,251</u>	<u>15,000</u>
Total financial assets available for general expenditure	<u>\$ 696,775</u>	<u>\$ 602,909</u>

Open Door is substantially supported by contribution revenues. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Open Door considers all expenditures related to operating a recovery and rehabilitation facility for homeless, addicted, destitute and disabled men, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of Open Door’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### NOTE 4 – 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, 2019 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>\$ 153,106</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 153,106</u>

Assets measured at fair value at December 31, 2018 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	\$ 146,016	\$ 0	\$ 0	\$ 146,016

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 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 54,101	\$ 54,101
Buildings and improvements	5,556,211	5,556,211
Furniture, equipment and software	858,351	848,842
Vehicles	<u>225,521</u>	<u>207,616</u>
Total	6,694,184	6,666,770
Accumulated depreciation	<u>(3,892,731)</u>	<u>(3,590,819)</u>
Property and equipment, net	<u>\$ 2,801,453</u>	<u>\$ 3,075,951</u>

#### **NOTE 6 – IN-KIND CONTRIBUTIONS**

In-kind contributions reported as program expenses and capitalized assets consist of the following:

	<u>2019</u>	<u>2018</u>
Food and clothing supplies	\$ 431,353	\$ 229,501
Security cameras and installation		65,000
Other	<u>4,882</u>	<u>8,611</u>
Total in-kind contributions	<u>\$ 436,235</u>	<u>\$ 303,112</u>

#### **NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to spending for specified purpose:		
Furniture and equipment	\$ 78,248	\$ 58,778
Program services	<u>3,500</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 81,748</u>	<u>\$ 108,778</u>

## **NOTE 8 – 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 9 – 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 \$40,119 to the plan during 2019 and \$37,659 during 2018.

## **NOTE 10 – SUBSEQUENT EVENTS**

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. The extent of the impact of COVID-19 on Open Door's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on donors, employees, and clients, all of which are uncertain and cannot be predicted. Therefore, while Open Door expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Subsequent to December 31, 2019, Open Door has received \$245,200 in financial relief under the Payroll Protection Loan program created by the Federal government. The extent of future forgiveness of the loan proceeds is not assured at this time.

Management has evaluated subsequent events through May 22, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

---