Open Door Mission

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2017 and 2016

Open Door Mission

Table of Contents

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016 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, 2017 and 2016 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 15, 2018

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

Open Door Mission

Statements of Financial Position as of December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	$ 395,787	$ 452,913
Investments *(Note 2)*	144,073	142,397
Prepaid expenses and other assets	31,680	12,043
Pledges receivable		75,000
Cash restricted for capital projects		60,615
Property and equipment, net *(Note 3)*	3,258,998	3,433,587
TOTAL ASSETS	$ 3,830,538	$ 4,176,555
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 46,637	$ 44,950
Commitments and contingencies *(Note 7)*		
Net assets:		
Unrestricted *(Note 5)*	3,653,447	3,285,470
Temporarily restricted *(Note 6)*	130,454	846,135
Total net assets	3,783,901	4,131,605
TOTAL LIABILITIES AND NET ASSETS	$ 3,830,538	$ 4,176,555

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE:			
Contributions	$ 1,555,399	$ 204,865	$ 1,760,264
In-kind contributions *(Note 4)*	414,537		414,537
Special event	403,259		403,259
Direct donor benefits	(119,614)		(119,614)
Program service fees	158,666		158,666
Other income	8,297		8,297
Total	2,420,544	204,865	2,625,409
Net assets released from restrictions:			
Property and equipment expenditures	746,947	(746,947)	
Program expenditures	173,599	(173,599)	
Total revenue	3,341,090	(715,681)	2,625,409
EXPENSES:			
Program services	2,022,764		2,022,764
Management and general	204,516		204,516
Fundraising	745,833		745,833
Total expenses	2,973,113		2,973,113
CHANGES IN NET ASSETS	367,977	(715,681)	(347,704)
Net assets, beginning of year	3,285,470	846,135	4,131,605
Net assets, end of year	$ 3,653,447	$ 130,454	$ 3,783,901

See accompanying notes to financial statements.

Open Door Mission

Statement of Activities for the year ended December 31, 2016

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

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2017

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and related expenses	$ 691,058	$ 108,668	$ 199,214	$ 998,940
Employee benefits	95,011	18,164	26,547	139,722
Payroll taxes	49,534	8,140	14,597	72,271
Direct mail:				
Cultivation – postage and printing			441,366	441,366
In-kind food and clothing supplies	414,537			414,537
Depreciation	273,434	3,835	3,291	280,560
Occupancy	175,153	1,774	1,523	178,450
Supplies	139,191	5,109	27,793	172,093
Telephone, internet and computer	71,355	971	9,354	81,680
Insurance	74,540	2,310	2,806	79,656
Bank services		30,109		30,109
Professional services		18,584	2,600	21,184
Vehicle repairs	16,008			16,008
Printing and media	5,249		7,686	12,935
Travel	1,398	475	2,076	3,949
Staff development	1,730	25	1,093	2,848
Other	14,566	6,352	5,887	26,805
Total expenses	$ 2,022,764	$ 204,516	$ 745,833	2,973,113
Direct donor benefits				119,614
Total				$ 3,092,727

See accompanying notes to financial statements.

Open Door Mission

Statement of Functional Expenses for the year ended December 31, 2016

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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
Direct mail:				
Cultivation – postage and printing		16,539	283,992	300,531
Acquisition – donor lists, postage, and printing			54,716	54,716
In-kind food and clothing supplies	580,390			580,390
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
Telephone, internet and computer	48,768	661	16,485	65,914
Insurance	71,331	2,154	2,966	76,451
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
Travel	363	1,043	413	1,819
Staff development	310	4,078	348	4,736
Other	18,705	3,594	5,216	27,515
Total expenses	$ 2,142,532	$ 248,513	$ 705,872	3,096,917
Direct donor benefits				89,711
Total				$ 3,186,628

See accompanying notes to financial statements.

Open Door Mission

Statements of Cash Flows for the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (347,704)	$ 567,279
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	280,560	252,255
Net realized and unrealized loss on investments	698	22
Contributions restricted for capital		(683,000)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(19,637)	340
Pledges receivable	50,000	(50,000)
Accounts payable and accrued liabilities	1,687	(31,838)
Net cash provided (used) by operating activities	(34,396)	55,058
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in cash restricted for capital projects	60,615	38,614
Purchases of property and equipment	(105,971)	(765,434)
Purchase of investments	(2,374)	(2,113)
Net cash used by investing activities	(47,730)	(728,933)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital contributions	25,000	658,000
NET CHANGE IN CASH	(57,126)	(15,875)
Cash, beginning of year	452,913	468,788
Cash, end of year	$ 395,787	$ 452,913

See accompanying notes to financial statements.

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 $5,000 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 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.

Program fees are recognized as the services are provided.

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.

Recent financial accounting pronouncement – In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions.* New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. Absent explicit donor stipulations, restrictions on long-lived assets will expire when assets are placed in service. Open Door is required to adopt this ASU for fiscal year 2018. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

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, 2017 consist of the following:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond mutual funds – short-term index	$ 144,073	$ 0	$ 0	$ 144,073

Assets measured at fair value at December 31, 2016 consist of the following:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond mutual funds – short-term index	$ 142,397	$ 0	$ 0	$ 142,397

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:

	2017	2016
Land	$ 54,101	$ 54,101
Buildings and improvements	5,550,811	4,843,058
Furniture, equipment and software	754,779	719,583
Vehicles	207,616	207,616
Construction in progress		636,978
Total	6,567,307	6,461,336
Accumulated depreciation	(3,308,309)	(3,027,749)
Property and equipment, net	$ 3,258,998	$ 3,433,587

NOTE 4 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	2017	2016
Food and clothing supplies	$ 385,799	$ 524,142
Other	28,738	56,248
Total in-kind contributions	$ 414,537	$ 580,390

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	2017	2016
Undesignated	$ 394,449	$ 488,861
Property and equipment, net	3,258,998	2,796,609
Total unrestricted net assets	$ 3,653,447	$ 3,285,470

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Program expenses	$ 74,638	$ 35,000
Furniture and equipment	50,816	33,542
Building improvements and additions		722,593
Future periods		50,000
Other	5,000	5,000
Total temporarily restricted net assets	$ 130,454	$ 846,135

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 2017, Open Door renewed 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, 2017, there were no amounts outstanding under this line of credit. The expiration date of the line of credit is October 7, 2019.

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 $33,366 to the plan during 2017 and $32,804 during 2016.

NOTE 9 – RELATED PARTY TRANSACTION

During 2017, a company owned by an Open Door board member was paid approximately $70,000 related to a contract for building improvements.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2018, 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.