



# **Openhouse** *and* **Openhouse Laguna LLC**

## **Combined Financial Statements**

**For the Years Ended  
June 30, 2022 and 2021**  
With Independent Auditors' Report Thereon

# Openhouse and Openhouse Laguna LLC

(A California Not-for-Profit Corporation)

## Introduction

The purpose of this section, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), is to provide a narrative explanation of our financial statements that enables individuals to better understand our financial statements by providing a context by which our financial information may be analyzed. MD&A should be read in conjunction with the Financial Statements and includes the results of the Organization through the year ended June 30, 2022. Certain historical information may also be presented to evaluate trends of current results.

## Mission

Openhouse (the "Organization") is a public benefit organization exempt from federal income taxation under Section 501(c)(3). Our IRS identification number is 94-3337955.

Openhouse enables San Francisco Bay Area LGBTQ+ seniors to overcome the unique challenges they face as they age by providing housing, direct services and community programs. As a result, we have reduced isolation and empowered LGBTQ+ seniors to improve their overall health, well-being and economic security.

Openhouse recognizes and affirms that LGBTQ+ older adults live at intersections of race, ethnicity, class, culture, HIV status, sexual orientation, gender, gender identity and expression, spirituality and ability. Because of our diverse community, Openhouse holds a unique and exclusive leadership position among San Francisco nonprofit organizations in reporting how aging affects all segments of the LGBTQ+ community. Openhouse is committed to creating a safe environment to encourage and support participants to share our diverse perspectives and identities to foster dynamic community engagement.

## Strategies and Trends

In FY22, Openhouse began to see the return of LGBTQ+ seniors to limited on-site programming with special precautions to protect community members from the Omicron variant of COVID-19. The first program to welcome seniors in person is the Openhouse + On Lok Community Day Services for LGBTQ+ seniors who experience physical and/or cognitive decline. This first social day program in the country designed for and by LGBTQ+ seniors allows seniors to remain in their homes and gives their caregivers respite from 24/7 care. Lovingly called Club 75 (the program occurs at the new Openhouse Community Center at 75 Laguna Street), the innovative program provides daily hot meals, snacks and refreshments; LGBTQ-themed activities, care coordination, personal care and reminders; and transportation from home to the program and back. Other services returning onsite in FY22 were individual housing assistance counseling and the popular Rainbow Lunch social meal program. We continue to offer our Community to You (C2Y) Program, providing home deliveries of groceries, essential items, and gift bags/baskets during special occasions such as holidays and LGBT Pride Month in June. For the first time in three years, Openhouse celebrated major events in the lives of our community members. Approximately 100 seniors and allies marched in the 2022 San Francisco Pride Parade with concurrent festivities at the Openhouse Community Center for those wanted to celebrate but not as part of the parade contingent. Those who did march joined the party at Openhouse after the parade. This was the first Pride celebration for our community since 2019, and the joy was palpable. Openhouse provides social engagement to combat isolation and loneliness experienced by many seniors, especially those without families.

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### Strategies and Trends *(continued)*

Coming together again after pandemic shutdowns was the emotional center of FY22. Other in-person events included a Juneteenth celebration, the largest gathering ever at Openhouse exclusively for our African-American community members. We also returned to our annual fundraising gala, Spring Fling, with a special Harvey Milk Day event on May 22, raising \$200,000 for general operations support—a Spring Fling record.

Some Friendly Visitor volunteers are once again meeting with seniors who are comfortable hosting the volunteers in their homes, or going for walks, coffee or community activities. Those who are not ready for face-to-face visits continue to receive supportive telephone contact from their “Friendly Callers.” Most lifelong learning classes, such as languages, art, cooking, and emotional support groups remain virtual via Zoom, but in FY22 Openhouse acquired video conferencing technology to allow for hybrid events. Seniors at home can join other community members onsite for group experiences, including town hall meetings and activities like Sister Circle, a women’s social group, and the Men’s Drop-In Support Group. The high vaccination rate in our community allowed this return to onsite programming before a definitive end to the pandemic. Openhouse facilitated and often arranged for seniors to get their vaccinations and booster shots throughout FY22, as well as following CDC guidelines promoting social distancing, masking, and testing. These precautions have prevented any known spread of COVID among those attending social gatherings onsite, and allow us a stepwise emergence from the pandemic.

A third LGBTQ-welcoming affordable housing development with Mercy Housing continued to progress through FY22. The concept phase MOU was executed with architects for a building with a unit count of up to 187 units at 1939 Market Street, around the corner from the Openhouse campus on Laguna Street. The mix of units will be, as close as possible, 50% one bedroom and 50% studio apartments. The preference is to target people 55 and older for this building; the HUD requirement is 62 and older. In consultation with Mercy’s property management division and with our Community Support team target rents will be set at 40-45% AMI, with special set-asides for Housing Plus (5%) and units for homeless seniors or those at high risk of homelessness with a total of 25% special needs set-asides. Currently, there are 37 set-aside units on the Openhouse campus, or 31% of 118 units in two buildings (55 and 95 Laguna). Construction should start on the 1939 Market Street project in 2024 with completion expected in 2025.

There are three major service umbrellas at Openhouse: Community Support Services (CSS), Community Engagement Programs (CEP), and Strategic Partnerships. The first two are direct services to LGBTQ+ seniors, while Strategic Partnerships directs cultural humility training for professionals working with LGBTQ+ older adults in the government, non-profit and corporate sectors.

### Community Support Services (CSS)

In isolating times, residential case management *significantly* impacted the lives of 55 and 95 Laguna residents in connecting to telehealth, free or low-cost Wi-Fi services, free or low-cost phone services, and opportunities for social connection – both in person and remotely. ADRC, case management, and care navigation helped residents and other community members experiencing crisis with not only retaining housing and benefits but also connecting with new medical/mental health, financial, legal, and other kinds of supports.

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### Community Support Services (CSS) *(continued)*

CSS achieved 100% housing retention for all our Continuum of Care (CoC) clients. US Housing and Urban Development (HUD) established its CoC Program to promote communitywide commitment to the goal of ending homelessness. CoC provides funding for efforts by nonprofit providers, and State and local governments to rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities.

CSS continued connecting staff and community members to COVID testing and vaccines throughout the year, and Openhouse Care Navigators consistently connected our most isolated community members to services they desperately needed. For example, Openhouse arranged in-home physical therapy for one of our homebound community members who was then able to use the stairs and leave her apartment for the first time in two years. Openhouse case managers researched and successfully moved community members into assisted living and organized logistics for multiple bed bug treatments, and Housing program staff attended housing appointments to assist with the lease up process – resulting in permanent housing for seniors. They also accompanied community member to medical appointments critical to their health and well-being. Openhouse community members who died during FY20 and FY21 did not succumb to COVID, but suffered from deadly social isolation and lack of adherence to medical treatments during the first years of the pandemic.

### Community Engagement Programs (CEP)

As mentioned above, community engagement is critical to aging in place and surviving bouts of social isolation created by the pandemic. In FY22, our return to in-person events and programming included different models to serve everyone--Hybrid, All Zoom, and In-Person activities. CEP met or exceeded its goals in three major contracts funded by the San Francisco Department of Disability & Aging Services (DAS): Community Services (not to be confused with Openhouse Community Support Services described above), Intergenerational Programs, and Transgender/Gender Non-Conforming Services (TGNC). DAS-funded community services participation has returned to pre-pandemic levels with cumulative total attendance at 7,061 by 394 unduplicated seniors. Our TGNC program grew to more than 65 community members in FY22, and program hours more than doubled to 506 hours. This compared to 29 TGNC seniors in FY20 and 57 in FY21. Volunteers are critical to Openhouse programs and services, and in FY22 we recruited, trained and deployed 275 unique volunteers who donated a total of 4,848 volunteer hours.

### Strategic Partnerships

Openhouse aims to infiltrate the existing aging and senior care infrastructure through a menu of exceptional and tailored trainings to educate clinicians, care staff, nurses and more about the unique identities their residents and patients may hold. In FY22, these evidence-based trainings included:

- LGBTQ+ Older Adult Cultural Humility Training
- Sexual Orientation and Gender Identity (SOGI) Data Collection
- Trans 101
- Long-Term Care Facilities Bill of Rights for LGBTQ+ Older Adults

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## Strategic Partnerships *(continued)*

Strategic Partnership staff are expanding to include:

- Clinical Indications for Queer Seniors
- Inclusivity Practices – Nursing Home Residents
- Racial Equity at the Intersection of Queer Aging
- Hospice Care Indications for LGBTQ+ Elders

Openhouse uses this rich curriculum and this menu of trainings to implore clinicians, nurses, social workers, and others to see the humanity in these individuals – while providing room for growth and learning, even with mistakes. Attendees at these trainings are empowered with the knowledge, tools, and language to provide the already excellent clinical and social services they provide to their wider community.

## Evidence-Based Success

In December 2021, the California Reducing Disparities Project (CRDP) of the California Department of Public Health released findings of a five-year longitudinal study of Openhouse programs. The study showed that Openhouse made statistically significant and substantive improvements in the lives of LGBTQ+ seniors by reducing isolation and loneliness and improving mental health and feelings of connection and hope even during the COVID years. In April 2022, CRDP announced the renewal of the grant for another four years of funding to continue evaluating our programs.

“By reducing isolation and loneliness, connecting them with their community, and supporting their LGBTQ+ identities, Openhouse and its programming significantly improved its clients’ mental health and quality of life,” the CRDP Report concluded. “It also gave its clients hope that they can live fulfilling and authentic lives as they age. While other organizations can provide similar support and services for older adults, the unique impact that Openhouse--an organization that is run by, for, and with LGBTQ+ older adults--has on this population’s social, emotional well-being is the very illustration of what it means to improve mental health equity and serve as a model for how to best ‘take care of our own’.”

## Governance

Our Board of Directors currently is comprised of 14 members, including five new board members, all of whom are independent. The Executive Director Kathleen Sullivan, Ph.D. is an ex officio member of the board. The Organization’s business is conducted by its employees, managers and officers, under the direction of the Executive Director. Various Board Committees and the full Board meets monthly (all on-line during the pandemic). We hold an annual retreat between board and the senior management team for strategic planning. In FY22, there were 13 board members who met monthly via video conferencing, but we were able to hold a hybrid board retreat with most members onsite and others joining remotely.

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## **INDEPENDENT AUDITORS' REPORT**

### **The Board of Directors Openhouse**

#### ***Opinion***

We have audited the accompanying combined financial statements of Openhouse (a nonprofit organization) and Openhouse Laguna LLC, which comprise the combined statement of financial position as of June 30, 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Openhouse and Openhouse Laguna LLC as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Openhouse and Openhouse Laguna LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Openhouse and Openhouse Laguna LLC's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

#### ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

## INDEPENDENT AUDITORS' REPORT

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### **Auditors' Responsibilities for the Audit of the Combined Financial Statements** *(continued)*

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Openhouse and Openhouse Laguna LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Openhouse and Openhouse Laguna LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Openhouse and Openhouse Laguna LLC's June 30, 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Regalia & Associates*

**December 2, 2022**  
**Danville, California**

## Openhouse and Openhouse Laguna LLC

### Combined Statements of Financial Position June 30, 2022 and 2021

#### ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 2,805,797	\$ 3,528,535
Investments	2,001,292	-
Accounts receivable	23,119	300,716
Grants, contributions, and pledges receivable	443,168	417,529
Contributed rent receivable, current portion	92,347	92,347
Prepaid expenses and other current assets	16,551	11,971
Total current assets	<u>5,382,274</u>	<u>4,351,098</u>
Noncurrent assets:		
Investment in 55 Laguna, LP	75,367	75,422
Investment in Laguna Senior Housing, LP	(12,500)	(12,402)
Property and equipment, net	3,899,421	4,549,279
Right of use asset - premises	200,033	230,851
Contributed rent receivable, noncurrent portion	484,222	546,053
Total noncurrent assets	<u>4,646,543</u>	<u>5,389,203</u>
	<u>\$ 10,028,817</u>	<u>\$ 9,740,301</u>

#### LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 253,154	\$ 544,766
Accrued payroll liabilities	128,590	91,280
Lease payable - current portion	31,867	29,721
Total current liabilities	<u>413,611</u>	<u>665,767</u>
Lease payable - noncurrent portion	173,259	205,126
Total liabilities	<u>586,870</u>	<u>870,893</u>
Net assets:		
Without donor restrictions:		
Board-designated operating reserve	2,060,229	-
Undesignated	6,088,448	8,089,434
With donor restrictions	1,293,270	779,974
Total net assets	<u>9,441,947</u>	<u>8,869,408</u>
	<u>\$ 10,028,817</u>	<u>\$ 9,740,301</u>

## Openhouse and Openhouse Laguna LLC

### Combined Statement of Activities and Changes in Net Assets Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Changes in net assets without donor restrictions:</i>			
Support and revenue:			
Grants and contributions:			
Individual and corporate contributions	\$ 943,788	\$ 15,000	\$ 958,788
Foundation grants	195,850	1,585,000	1,780,850
Government grants	1,851,779	-	1,851,779
Total grants and contributions	<u>2,991,417</u>	<u>1,600,000</u>	<u>4,591,417</u>
Special events:			
Contributions	109,594	-	109,594
Special event revenues	112,574	-	112,574
Direct cost of benefit to donors	(39,380)	-	(39,380)
Other event costs	(109,037)	-	(109,037)
Net revenue from special events	<u>73,751</u>	<u>-</u>	<u>73,751</u>
Other income:			
Net income from investments in:			
55 Laguna, LP	(55)	-	(55)
Laguna Senior Housing, LP	(98)	-	(98)
Developer fees	323,808	-	323,808
Program service revenue	191,907	-	191,907
Interest income	1,397	-	1,397
Other income	15,233	-	15,233
Total other income	<u>532,192</u>	<u>-</u>	<u>532,192</u>
Net assets released from restrictions	1,117,219	(1,117,219)	-
Change in unamortized discount	-	30,515	30,515
Total support and revenue	<u>4,714,579</u>	<u>513,296</u>	<u>5,227,875</u>
Expenses:			
Program services	3,653,569	-	3,653,569
Management and general	414,644	-	414,644
Fundraising	543,385	-	543,385
Total expenses	<u>4,611,598</u>	<u>-</u>	<u>4,611,598</u>
Increase in net assets before loss on disposal of assets:	102,981	513,296	616,277
Loss on disposal of assets	(43,738)	-	(43,738)
Total increase in net assets	59,243	513,296	572,539
Net assets at beginning of year	8,089,434	779,974	8,869,408
Net assets at end of year	<u>\$ 8,148,677</u>	<u>\$ 1,293,270</u>	<u>\$ 9,441,947</u>

**Openhouse and Openhouse Laguna LLC**

**Combined Statement of Activities and Changes in Net Assets  
Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Changes in net assets without donor restrictions:</i>			
Support and revenue:			
Grants and contributions:			
Individual and corporate contributions	\$ 1,180,124	\$ 1,161,753	\$ 2,341,877
Foundation grants	315,000	190,000	505,000
In-kind contributions	968	-	968
Government grants	1,874,719	-	1,874,719
Total grants and contributions	3,370,811	1,351,753	4,722,564
Net loss from investments in:			
55 Laguna, LP	(54)	-	(54)
Laguna Senior Housing, LP	(63)	-	(63)
Developer fees	220,000	-	220,000
Program service revenue	163,113	-	163,113
Interest income	335	-	335
Other income	30,470	-	30,470
Total other income	413,801	-	413,801
Net assets released from restrictions	1,011,425	(1,011,425)	-
Change in unamortized discount	-	(146,548)	(146,548)
Total support and revenue	4,796,037	193,780	4,989,817
Expenses:			
Program services	3,101,999	-	3,101,999
Management and general	316,954	-	316,954
Fundraising	447,975	-	447,975
Total expenses	3,866,928	-	3,866,928
Increase in net assets before mediation	929,109	193,780	1,122,889
Mediation proceeds	814,000	-	814,000
Repairs to building	(739,903)	-	(739,903)
Net proceeds from mediation	74,097	-	74,097
Total increase in net assets	1,003,206	193,780	1,196,986
Net assets at beginning of year	7,086,228	586,194	7,672,422
Net assets at end of year	\$ 8,089,434	\$ 779,974	\$ 8,869,408

## Openhouse and Openhouse Laguna LLC

### Combined Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
<i>Operating activities:</i>		
Increase in net assets	\$ 572,539	\$ 1,196,986
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	606,120	606,120
Change in unamortized discount	(30,515)	146,548
Loss on disposal of fixed assets	43,738	-
Allocated losses of investments in 55 Laguna, L.P. and Laguna Senior Housing, L.P.	153	117
Changes in:		
Accounts receivable	277,597	(240,035)
Grants, contributions, and pledges receivable	(25,639)	275,280
Prepaid expenses and other current assets	(4,580)	16,045
Contributed rent receivable	92,346	(784,948)
Right of use asset - premises	30,818	29,388
Accounts payable and accrued liabilities	(291,612)	329,128
Accrued payroll liabilities	37,310	14,604
Refundable advance	-	(80,000)
Cash provided by operating activities	1,308,275	1,509,233
<i>Investing activities:</i>		
Acquisition of property and equipment	-	(840,813)
Acquisition of investments	(2,001,292)	-
Cash used for investing activities	(2,001,292)	(840,813)
<i>Financing activities:</i>		
Principal payments applied to lease payable	(29,721)	(27,687)
Cash used for financing activities	(29,721)	(27,687)
Increase (decrease) in cash and cash equivalents	(722,738)	640,733
Cash and cash equivalents at beginning of year	3,528,535	2,887,802
Cash and cash equivalents at end of year	\$ 2,805,797	\$ 3,528,535
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration taxes	\$ 150	\$ 150
Construction in progress transferred to property and equipment	\$ -	\$ 3,824,823

## Openhouse and Openhouse Laguna LLC

### Combined Statement of Functional Expenses Year Ended June 30, 2022

*(with Summarized Financial Information for the Year Ended June 30, 2021)*

	Program Services				Total Program	Supporting Services		2022 Total	2021 Total
	Community Engagement Programs	Community Support Services	Strategic Partnerships	Other		Management and General	Fund-Raising		
Expenses:									
Salaries	\$ 691,307	\$ 537,643	\$ 213,503	\$ -	\$ 1,442,453	\$ 242,178	\$ 293,233	\$ 1,977,864	\$ 1,671,766
Payroll taxes	56,648	44,056	17,495	-	118,199	19,846	24,267	162,312	139,982
Employee benefits	84,463	65,165	26,703	-	176,331	28,089	37,141	241,561	176,615
Total personnel costs	832,418	646,864	257,701	-	1,736,983	290,113	354,641	2,381,737	1,988,363
Professional fees	285,629	54,740	9,886	-	350,255	60,124	134,776	545,155	625,497
Program and other events	72,740	8,839	4,758	-	86,337	2,855	6,150	95,342	101,580
Occupancy	243,982	19,264	18,172	565	281,983	1,184	1,590	284,757	272,317
Construction related costs	-	-	-	389,417	389,417	-	-	389,417	7,691
Telephone and internet	16,768	7,489	2,981	-	27,238	1,493	3,491	32,222	27,147
Supplies and office	29,462	30,311	12,316	-	72,089	6,658	25,013	103,760	82,310
Printing, copying and graphic design	48,169	4,114	1,957	-	54,240	1,271	8,161	63,672	47,285
Postage	3,909	509	247	-	4,665	161	1,232	6,058	6,380
Travel	16,129	2,828	1,442	-	20,399	3,602	914	24,915	10,437
Insurance	-	-	-	-	-	45,654	-	45,654	31,444
Staff and board development	4,743	3,793	1,695	-	10,231	1,102	2,389	13,722	36,756
Depreciation and amortization	-	-	-	606,120	606,120	-	-	606,120	606,120
Bank and credit card fees	354	-	-	-	354	427	2,313	3,094	7,759
Bad debt	-	-	-	-	-	-	2,500	2,500	-
Miscellaneous	13,258	-	-	-	13,258	-	215	13,473	15,842
	<b>\$ 1,567,561</b>	<b>\$ 778,751</b>	<b>\$ 311,155</b>	<b>\$ 996,102</b>	<b>\$ 3,653,569</b>	<b>\$ 414,644</b>	<b>\$ 543,385</b>	<b>\$ 4,611,598</b>	<b>\$ 3,866,928</b>

Notes to Combined Financial Statements  
June 30, 2022 and 2021

**1. Organization and Nature of Activities**

Founded in 1998, Openhouse is the only agency in San Francisco uniquely committed to serving LGBTQ seniors and older adults, a population currently estimated to number 20,000 and expected to reach 30,000 by the end of the next decade. Over the last twenty years, Openhouse has grown from a grassroots organization into a multi-service professional agency, trusted by the community we serve, and known and respected by leaders and professionals throughout the city, state, and nation. Openhouse has led the way in raising awareness of the needs of LGBTQ older adults, the challenges they face as they age, and their vital role in the city's history, and social and cultural life.

The mission of Openhouse is to enable San Francisco's LGBTQ seniors to overcome the distinct challenges they face, by providing housing, programming, and community-building that reduce isolation and improve health, well-being, and economic and housing security. Our primary goals are for every LGBTQ senior to live in safe and stable housing that is affordable to them; be welcomed and well-served by care providers through each stage of life; and be engaged with and supported by communities of their choice.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation*** – The combined financial statements of Openhouse have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

***Measure of Operations*** – The combined statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Openhouse's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

***Cash and Cash Equivalents*** – Cash consists of all monies on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

***Concentrations of Credit Risk*** – Financial instruments that potentially subject Openhouse to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Openhouse maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Openhouse manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Openhouse has not experienced losses in any of these accounts. Credit risk associated with grants, pledges and accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Openhouse's mission.

Notes to Combined Financial Statements  
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

**Grants, Contributions, and Pledges Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

**Property and Equipment** – Openhouse’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. Openhouse reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

**Contributions of Nonfinancial Assets** – Contributed services and costs are reflected at the fair value of the contribution received in accordance with *ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

**Functional Allocation of Expenses** – The costs of providing program and other activities have been summarized on a functional basis in the combined statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Openhouse to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as personnel costs, certain professional fees, program and other events, supplies, printing, copying and graphic design, and other overhead) have been allocated based on time and effort using Openhouse’s payroll allocations while occupancy expenses have been allocated based on square footage percentages. Other expenses (such as certain professional fees and construction related costs) have been allocated in accordance with the specific services received.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to fiscal year 2022 presentation. These changes had no impact on previously reported changes in net assets.

Notes to Combined Financial Statements  
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

**Use of Estimates** – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Openhouse groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Notes to Combined Financial Statements  
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

**Revenue and Revenue Recognition** - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

A portion of Openhouse’s revenue is derived from cost-reimbursable state and local government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Openhouse has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as conditional advances in the combined statements of financial position. Openhouse received cost-reimbursable grants of \$2,844,300 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

**Net Assets** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for any particular purpose (such as an operating reserve). At June 30, 2022, net assets without donor restrictions include a board-designated operating reserve of \$2,060,229.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Notes to Combined Financial Statements  
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

**Income Taxes** – Openhouse has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Openhouse continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Openhouse may periodically receive unrelated business income requiring Openhouse to file separate tax returns under federal and state statutes. Under such conditions, Openhouse calculates and accrues the applicable taxes.

Financial statement presentation follows the recommendations of *ASC 740, Income Taxes*. Under ASC 740, Openhouse is required to report information regarding its exposure to various tax positions taken by Openhouse and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that Openhouse has adequately evaluated its current tax positions and has concluded that as of June 30, 2022 and 2021, Openhouse does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

**Recent and Relevant Accounting Pronouncements** – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

*ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Openhouse has adopted ASU 2016-14.

*ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of December 2, 2022 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that Openhouse has the ability to continue as a going concern.

*ASU 2016-02, Leases (Topic 842) Accounting for Leases* requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

# Openhouse and Openhouse Laguna LLC

## Notes to Combined Financial Statements June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

**Recent and Relevant Accounting Pronouncements** *(continued)* – ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, Openhouse has incorporated these clarifying standards within the audited financial statements.

### 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30:

	2022	2021
Noninterest-bearing accounts	\$ 1,804,754	\$ 1,989,631
Money market mutual fund	-	1,527,674
Savings and other interest-bearing accounts	1,001,043	11,230
	<u>\$ 2,805,797</u>	<u>\$ 3,528,535</u>

Openhouse attempts to limit its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. Funds on deposit in interest-bearing accounts bear interest at 0.18% as of June 30, 2022. Interest and dividend income amounted to \$1,397 and \$335 for the years ended June 30, 2022 and 2021, respectively.

### 4. Liquidity

Openhouse regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Openhouse has various sources of liquidity at its disposal, including cash and cash equivalents, the future collection of receivables, and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Openhouse considers all expenditures related to its ongoing work serving LGBTQ seniors and older adults to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Openhouse operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

## Openhouse and Openhouse Laguna LLC

### Notes to Combined Financial Statements June 30, 2022 and 2021

#### 4. Liquidity *(continued)*

The following table shows the total financial assets held by Openhouse as of each year-end and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2022	2021
Cash and cash equivalents	\$ 2,805,797	\$ 3,528,535
Investments	2,001,292	
Accounts receivable	23,119	300,716
Grants, contributions, and pledges receivable	443,168	417,529
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	(641,701)	(1,574)
Board-designated operating reserve	(2,060,229)	-
Financial assets available to meet general expenditures over the next twelve months	\$ 2,571,446	\$ 4,245,206

Some of the support that Openhouse receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, Openhouse must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Openhouse has a history of raising funds to cover all costs necessary to sustain operating activities. As part of Openhouse's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Additionally, the board-designated operating reserve can be made available to meet operating needs, if necessary.

#### 5. Receivables

Receivables include grants, contributions, pledges, and contractually earned amounts related to Openhouse's operating activities and are all due within one year. Receivables consist of the following at June 30:

	2022	2021
Government grants receivable	\$ 344,156	\$ 227,034
Contributions and pledges receivable	99,012	190,495
<b>Total grants, contributions, and pledges receivable</b>	<b>443,168</b>	<b>417,529</b>
<b>Accounts receivable</b>	<b>23,119</b>	<b>300,716</b>
Contributed rent receivable, current portion	92,347	92,347
Contributed rent receivable, noncurrent portion	600,255	692,601
Less: Unamortized discount	(116,033)	(146,548)
<b>Total contributed rent receivable, net</b>	<b>576,569</b>	<b>638,400</b>
<b>Total receivables</b>	<b>\$ 1,042,856</b>	<b>\$ 1,356,645</b>

Openhouse uses the direct write-off method with regards to receivables deemed uncollectable. Management has evaluated the receivables as of June 30, 2022 and determined that such amounts are fully collectable based on the financial strength of the donors and organizations involved. During the year ended June 30, 2022, Openhouse recognized \$2,500 in bad debts. During the year ended June 30, 2021, Openhouse did not recognize any bad debts.

## Openhouse and Openhouse Laguna LLC

### Notes to Combined Financial Statements June 30, 2022 and 2021

#### 6. Investments and Fair Value Measurements

Openhouse Laguna LLC is a co-general partner in two limited partnerships, 55 Laguna, L.P and Laguna Senior Housing, L.P. The investments in these limited partnerships are stated at estimated fair value based on relevant financial data from certain tax documents as provided by the General Partner (Schedule K-1s).

Total investments consist of the following at June 30, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Certificates of deposit	\$ 2,000,000	\$ 2,000,333	\$ -	\$ -
Equities	1,173	959	-	-
55 Laguna, L.P.	75,367	75,367	75,422	75,422
Laguna Senior Housing, L.P.	(12,500)	(12,500)	(12,402)	(12,402)
Totals	<u>\$ 2,064,040</u>	<u>\$ 2,064,159</u>	<u>\$ 63,020</u>	<u>\$ 63,020</u>

A summary of assets utilizing fair value measurements at June 30, 2022 is as follows:

	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,000,333	\$ -	\$ 2,000,333	\$ -
Equities	959	959	-	-
Investment in 55 Laguna, LP	75,367	-	-	75,367
Investment in Laguna Senior Housing, LP	(12,500)	-	-	(12,500)
Totals	<u>\$ 2,064,159</u>	<u>\$ 959</u>	<u>\$ 2,000,333</u>	<u>\$ 62,867</u>

A summary of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Total	Level 1	Level 2	Level 3
Investment in 55 Laguna, LP	\$ 75,422	\$ -	\$ -	\$ 75,422
Investment in Laguna Senior Housing, LP	(12,402)	-	-	(12,402)
Totals	<u>\$ 63,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,020</u>

The change in Level 3 financial instruments is as follows:

<b>Balance at June 30, 2020</b>	<b>\$ 63,137</b>
Unrealized gains (losses), net	(117)
<b>Balance at June 30, 2021</b>	<b>63,020</b>
Unrealized gains (losses), net	(153)
<b>Balance at June 30, 2022</b>	<b><u>\$ 62,867</u></b>

## Openhouse and Openhouse Laguna LLC

### Notes to Combined Financial Statements June 30, 2022 and 2021

#### 7. Line of Credit

During the years ended June 30, 2022 and 2021, Openhouse had access to a \$500,000 line of credit with Wells Fargo Bank which, when utilized, bears interest at an annual floating rate of prime plus 1.750% or a “floor rate” of 5.000% per annum. This line of credit was closed May 30, 2022. Openhouse did not utilize the line of credit during either of the years ended June 30, 2022 and 2021. Subsequent to year-end, Openhouse opened a new \$500,000 line of credit with First Republic Bank in July 2022.

#### 8. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Tenant improvements	\$ 5,335,960	\$ 5,379,698
Equipment	27,565	27,565
Less: accumulated depreciation and amortization	(1,464,104)	(857,984)
Property and equipment, net	<u>\$ 3,899,421</u>	<u>\$ 4,549,279</u>

Depreciation and amortization expense amounted to \$606,120 for each of the years ended June 30, 2022 and 2021, and is reflected on the combined statement of functional expenses. During the year ended June 30, 2022, Openhouse disposed of certain tenant improvements for a loss of \$43,738. There were no disposals of property and equipment during the year ended June 30, 2021.

#### 9. Right of Use Asset and Leases

In December 2015, Openhouse entered into a multi-year lease for office space in the building at 55 Laguna Street. This lease commenced on December 5, 2016, and will expire on December 15, 2027 with an option to renew for an additional 10-year period. The lease requires a monthly remittance of \$3,420 at June 30, 2022, with stipulated annual increases of 1.5%. Openhouse also leases the Openhouse Community Center under a lease agreement with Mercy Commercial California expiring December 31, 2029, for an annual fee of \$100. The estimated value of this space amounted to \$92,347 and \$145,982 for the years ended June 30, 2022 and 2021, respectively. See Note 13 for further discussion.

In accordance with *ASU 2016-02, Leases*, Openhouse is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, Openhouse has recorded a total lease liability in the amount of \$205,126 and \$234,847 at June 30, 2022 and 2021, respectively, for its office space (split between the current amount of \$31,867 and noncurrent amount of \$173,259 at June 30, 2022) and a corresponding right of use asset for the premises in the amount of \$200,033 and \$230,851 at June 30, 2022 and 2021, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 5.0%.

## Openhouse and Openhouse Laguna LLC

### Notes to Combined Financial Statements June 30, 2022 and 2021

#### 9. Right of Use Asset and Leases *(continued)*

The scheduled minimum lease payments required under operating leases with durations in excess of one year are as follows at June 30, 2022:

Year ending June 30, 2023	\$	41,504
Year ending June 30, 2024		42,125
Year ending June 30, 2025		42,755
Year ending June 30, 2026		43,395
Years ending June 30, 2027 and thereafter		66,458

Total rent expense amounted to \$42,290 and \$41,939 for the years ended June 30, 2022 and 2021, respectively, and is included in occupancy expense on the combined statement of functional expenses.

#### 10. Net Assets with Donor Restrictions

Openhouse recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at June 30:

<i>Restricted for:</i>	<u>2022</u>	<u>2021</u>
Future periods	\$ 75,000	\$ 140,000
Specific programs and projects	641,701	1,574
Contributed rent	692,602	784,948
Less: Unamortized discount	(116,033)	(146,548)
Total net assets with donor restrictions	<u>\$ 1,293,270</u>	<u>\$ 779,974</u>

#### 11. Endowed Replacement Reserve

During the year ended June 30, 2022, Openhouse was named as a beneficiary of an endowment at The Horizons Foundation, a California nonprofit public benefit corporation (Horizons). Horizons received a gift of \$250,000 to create an endowment to be used to fund ongoing maintenance of the Openhouse Community Center (the "endowed replacement reserve"). The agreement between Horizons and Openhouse regarding the endowed replacement reserve specifies that Openhouse shall have the option of annually utilizing the earnings on the endowed replacement reserve upon request and subject to the Horizons Foundation Spending Policy. Openhouse did not receive any distributions from the endowed replacement reserve during the year ended June 30, 2022.

#### 12. Retirement Plan

Openhouse offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). Under the plan, Openhouse fully matches participating employees' contributions of up to 3% of their salary and matches 50% of participating employees' contributions from 3% to 5% of their salary. During the years ended June 30, 2022 and 2021, Openhouse's contributions to the plan amounted to \$16,736 and \$17,669, respectively.

## Openhouse and Openhouse Laguna LLC

### Notes to Combined Financial Statements June 30, 2022 and 2021

#### 13. Contributed Nonfinancial Assets

During the years ended June 30, 2022 and 2021, Openhouse received in-kind contributions consisting of reduced rent and other miscellaneous goods. The values of these contributions, as reflected in the combined financial statements, are as follows for the years ended June 30:

	2022	2021
Contributed rent, net of discount	\$ -	\$ 784,382
Transportation	-	-
Printing	-	-
Other	-	969
Total in-kind contributions	<u>\$ -</u>	<u>\$ 785,351</u>

As discussed in Note 9, Openhouse entered into a lease agreement for the Openhouse Community Center for which the rental payments stated in the agreement are less than the amount that would be charged for similar space rented under similar terms. Using publicly available commercial real estate rental listings, Openhouse estimated the value of the contributed rent to be \$930,930, with a present value reduction in the amount of \$146,548 determined using a weighted average discount rate of 5.0%. The amount of contributed rent over the remaining lease term is reported as contributed rent receivable in the accompanying combined statements of financial position, and the related rent expense is recorded using the straight-line method over the life of the lease in the accompanying combined statements of activities and changes in net assets. Total contributed rent expense for the years ended June 30, 2022 and 2021 amounted to \$92,347 and \$145,982, respectively.

From time to time, Openhouse also receives contributions of various goods. These items are immediately placed in service for either administrative or programmatic activities. Openhouse values the contributed goods at prices that would be received for selling similar products. None of the contributed goods had donor-imposed restrictions.

#### 14. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Openhouse is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded as an accrued liability on the combined statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$128,590 and \$91,280 as of June 30, 2022 and 2021, respectively.

**Notes to Combined Financial Statements**  
**June 30, 2022 and 2021**

**15. Commitments and Contingencies**

In the normal course of business, Openhouse could be subject to certain commitments and contingencies which might not be fully reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) contractual restrictions and donor conditions which obligate Openhouse to fulfill certain requirements as set forth in legal instruments, (b) funding levels which vary based on factors beyond Openhouse's control, such as general economic conditions, (c) service agreements with outside contractors, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the combined financial statements.

**16. Mediation and Settlement**

During the year ended June 30, 2021, Openhouse settled in mediation with the general contractor involved with the construction of the facility at 75 Laguna Street in San Francisco, relating to damaged plumbing pipes. Openhouse prevailed in claims for repair costs, investigative costs, and attorneys' fees.

In February 2022, Openhouse and the general contractor entered into a Settlement Agreement and Release to fully resolve any and all claims related to the construction of the facility at 75 Laguna Street. Pursuant to this agreement, Openhouse paid the general contractor a total sum of \$315,000.

**17. COVID-19**

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Openhouse conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management continues to monitor and evaluate its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

**18. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, Openhouse has evaluated subsequent events through December 2, 2022, the date the combined financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.