

*Financial Statements*

**DOOR OF HOPE**

September 30, 2016



# HENSIEK & CARON

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Door of Hope

We have audited the accompanying financial statements of Door of Hope (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Door of Hope as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Wenzick & Caron*

Pasadena, CA  
February 7, 2017

**DOOR OF HOPE**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2016**

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 318,750
Accounts receivable, net of allowance for doubtful accounts of \$0	87,616
Contributions receivable, Net of allowance for doubtful accounts of \$0	50,650
Prepaid expenses	33,035
Property and equipment, net	<u>1,135,467</u>
<b>Total Assets</b>	<u><u>\$ 1,625,518</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 64,141
Accrued salaries and vacation	73,165
Security deposits	4,030
Loan payable	<u>15,000</u>
<b>Total Liabilities</b>	<u>156,336</u>

**Net Assets**

Unrestricted net assets	1,450,867
Temporarily restricted net assets	<u>18,315</u>
<b>Total Net Assets</b>	<u>1,469,182</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,625,518</u></u>

**DOOR OF HOPE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions and grants	\$ 1,073,420	\$ 62,600	\$ 1,136,020
Government awards	429,896	-	429,896
Gifts in kind	317,652	-	317,652
Special events, net of direct expenses of \$63,691	86,541	-	86,541
Interest income	899	-	899
Rental income	16,235	-	16,235
Program income	4,119	-	4,119
Other income	677	-	677
Net assets released from program restrictions	44,285	(44,285)	-
<b>Total Support and Revenue</b>	<u>1,973,724</u>	<u>18,315</u>	<u>1,992,039</u>
<b>Expenses</b>			
Program	1,501,761	-	1,501,761
Management and general	235,831	-	235,831
Fundraising	229,186	-	229,186
<b>Total Expenses</b>	<u>1,966,778</u>	<u>-</u>	<u>1,966,778</u>
<b>Change in Net Assets</b>	<u>6,946</u>	<u>18,315</u>	<u>25,261</u>
<b>Net Assets, Beginning of Year, As Originally Reported</b>	1,039,283	-	1,039,283
<b>Prior Period Adjustment</b>	<u>404,638</u>	<u>-</u>	<u>404,638</u>
<b>Net Assets, Beginning of Year, As Restated</b>	<u>1,443,921</u>	<u>-</u>	<u>1,443,921</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,450,867</u>	<u>\$ 18,315</u>	<u>\$ 1,469,182</u>

The accompanying notes are an integral part of these statements.

**DOOR OF HOPE  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<b>Cash Flows from Operating Activities</b>	
Cash received from donors	\$ 1,235,602
Cash received from governmental and individual service recipients	461,109
Cash received from others	19,322
Cash paid to suppliers and employees	(1,620,742)
Interest and dividends received	899
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>96,190</b>
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<b>Cash Flows from Investing Activities</b>	
Proceeds from loan payable	15,000
Additions to property and equipment	(239,865)
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<b>Net Cash Used in Investing Activities</b>	<b>(224,865)</b>
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<b>Net Decrease in Cash</b>	<b>(128,675)</b>
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<b>Cash and Cash Equivalents, Beginning</b>	<b>447,425</b>
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<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 318,750</b>
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<b>Reconciliation of the Change in Net Assets</b>	
<b>To Net Cash Provided by Operating Activities</b>	
Change in Net Assets	\$ 25,261
Adjustments to reconcile the change in net assets to net cash provided by operating activities	
Depreciation	68,775
(Increase) Decrease in:	
Accounts receivable	25,474
Contributions receivable	(50,650)
Prepaid expenses	(5,061)
Other assets	2,410
Increase (Decrease) in:	
Accounts payable	16,544
Accrued salaries and vacation	11,817
Security deposits	1,620
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<b>Net Cash Provided by Operating Activities</b>	<b>\$ 96,190</b>
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The accompanying notes are an integral part of these statements.

**DOOR OF HOPE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 778,869	\$ 156,645	\$ 124,271	\$ 1,059,785
Occupancy	254,523	11,230	705	266,458
Program expenses	146,613	1,236	-	147,849
Benefits	95,722	10,104	11,220	117,046
Payroll taxes	70,811	14,892	10,585	96,288
Depreciation	68,775	-	-	68,775
Professional fees	19,916	10,428	34,826	65,170
Rental assistance	38,419	-	-	38,419
Advertising	-	-	21,010	21,010
Office supplies	2,039	10,119	5,609	17,767
Insurance	16,406	1,099	-	17,505
Education and meetings	1,965	10,733	2,230	14,928
Printing, copying and postage	-	6	11,643	11,649
Travel	6,958	2,057	1,387	10,402
Computer expenses	745	6,770	1,363	8,878
Merchant and bank fees	-	118	4,337	4,455
Taxes and licenses	-	394	-	394
<b>Total Expenses</b>	<u>\$ 1,501,761</u>	<u>\$ 235,831</u>	<u>\$ 229,186</u>	<u>\$ 1,966,778</u>
	76%	12%	12%	100%

The accompanying notes are an integral part of these statements.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of the Organization**

The Door of Hope, (“the Organization”), established in 1985, is a nonprofit, faith-based organization whose mission is to equip homeless families to rebuild their lives. Through its comprehensive housing program, Rapid Re-housing, and services, Door of Hope provides a compassionate pathway to long-term life change for families experiencing homelessness in the greater San Gabriel Valley area of Los Angeles County. Serving more than 625 families over the last 30 plus years, Door of Hope’s unwavering focus has remained on helping families transition from homelessness, to self-sufficiency and permanent housing. In the past year, 67 families were served including well over 100 children.

**Public Support and Revenue**

Donations are recorded as made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

Amounts received or promised that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Donated securities and other non-cash donations are recorded at estimated fair values at the date of donation. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Accounts, Contributions and Grants Receivable**

The Organization uses the direct write off method to determine uncollectible receivables. The annual write off is based on management’s analysis of specific receivables. Management has determined that all receivables are collectible.

**Property and Equipment**

Property, equipment and web site are stated at cost or, if donated, at the approximate fair market value at the date of donation. It is the Organization’s policy to capitalize expenditures for these items in excess of \$1,000. Depreciation is provided using the straight-line method over three to twenty-seven years.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 reporting period. Actual results could differ from those estimates.

**Statement of Cash Flows**

For the purpose of the statement of cash flows, The Organization includes all cash in banks and other financial institutions, and certain highly liquid money market accounts designated for temporary cash investment.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Nonprofit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

The accounting standard on accounting for uncertainty in income taxes provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Examples of tax positions include the tax-exempt status of The Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization believes that it has no uncertain tax positions that impact its financial statements.

The Organization files form 990 with the Internal Revenue Service, and files related exempt organization returns in the State of California. The returns are generally no longer subject to examination by the Internal Revenue Service after three years, or by the State of California after four years.

**Note 2 – Concentration of Credit Risk**

Financial instruments, which potentially subject The Organization to concentrations of credit risk, consist of cash and cash equivalents. The Organization maintains its cash balances at several financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At September 30, 2016, The Organization's uninsured cash balances were \$6,245.

**Note 3 – Property and Equipment**

Property and equipment consists of the following:

Land	\$ 147,770
Buildings and improvements	1,316,340
Vehicles	35,300
Furniture and equipment	<u>155,013</u>
	1,654,433
Less accumulated depreciation	518,966
	<u><u>\$ 1,135,467</u></u>

**Note 4 – Loan Payable**

The Organization has a \$15,000 loan payable to Verdugo Housing Corporation, which bears no interest. Principal payments of \$417 are payable on a monthly basis beginning November 1, 2016. The loan is unsecured and is due on October 31, 2020. The balance at September 30, 2016 was \$15,000.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**Note 4 – Loan Payable (continued)**

Future minimum payments on the term loan are as follows:

<u>Year ending September 30,</u>	
2017	\$ 4,583
2018	5,000
2019	5,000
2020	417

**Note 5 – Lease Commitments**

The Organization leases an apartment complex under a noncancelable lease agreement originally expiring on October 31, 2016. During the year the lease was renewed for an additional ten years expiring on October 31, 2026. In addition, the landlord provides a discount on the lease totaling \$155,544 per year. This is included on the Statement of Activities in gifts in kind and on the Statement of Functional Expenses in occupancy expenses. Minimum payments under this operating lease are as follows:

<u>Year ending September 30,</u>	
2017	\$ 23,279
2018	23,336
2019	23,336
2020	24,016
2021	24,502
Thereafter	128,638

Rent expense for the year ended September 30, 2016 was \$178,200.

**Note 6 – Net Assets**

Net assets consist of the following:

<b>Temporarily Restricted Net Assets</b>	
Flooring repairs	\$ 16,715
Youth room upgrades	<u>1,600</u>
<b>Total Temporarily Restricted Net Assets</b>	<u><u>\$ 18,315</u></u>

**Note 7 – Prior Period Adjustment**

During the year, it came to the Organization's attention that prepaid expenses were understated and deferred revenue was overstated. The unrestricted net asset balance at September 30, 2015, was understated by \$404,638.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**Note 8 – Subsequent Events**

Subsequent events were evaluated through February 7, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.