

Financial Statements

DOOR OF HOPE

September 30, 2018



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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Door of Hope's 2017 financial statements, and our report dated February 9, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, CA
January 28, 2019

DOOR OF HOPE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2017

ASSETS

| | 2018 | (As Restated) 2017 |
|--|---------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 347,626 | \$ 181,836 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 in 2018 and 2017 | 54,881 | 103,954 |
| Contributions receivable, net of allowance for doubtful accounts of \$15,000 in 2018 and 2017 | 617,380 | 17,094 |
| Prepaid expenses | 21,807 | 32,082 |
| Property and equipment, net | 994,199 | 889,588 |
| | Total Assets | Total Assets |
| | \$ 2,035,893 | \$ 1,224,554 |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------|---|---|
| Liabilities | | |
| Accounts payable | \$ 41,410 | \$ 114,729 |
| Accrued salaries and vacation | 71,709 | 69,192 |
| Security deposits | 4,645 | 4,643 |
| Loan payable | 5,000 | 10,000 |
| | Total Liabilities | Total Liabilities |
| | 122,764 | 198,564 |
| Net Assets | | |
| Unrestricted net assets | 1,703,215 | 924,796 |
| Temporarily restricted net assets | 209,914 | 101,194 |
| | Total Net Assets | Total Net Assets |
| | 1,913,129 | 1,025,990 |
| | Total Liabilities and Net Assets | Total Liabilities and Net Assets |
| | \$ 2,035,893 | \$ 1,224,554 |

DOOR OF HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2017

| | 2018 | | | (As Restated) |
|--|---------------------|-----------------------------------|---------------------|-----------------------|
| | Unrestricted | Temporarily Restricted | Total | 2017 Total |
| Support and Revenue | | | | |
| Contributions and grants | \$ 2,111,919 | \$ 252,700 | \$ 2,364,619 | \$ 1,092,765 |
| Government awards | 299,902 | - | 299,902 | 331,408 |
| Gifts in kind | 356,737 | - | 356,737 | 300,056 |
| Special events, net of direct expenses of \$15,456 in 2017 | - | - | - | 86,790 |
| Interest income | 1,226 | - | 1,226 | 1,131 |
| Rental income | 18,326 | - | 18,326 | 20,057 |
| Program income | 5,384 | - | 5,384 | 7,465 |
| Other income | 1,045 | - | 1,045 | 1,219 |
| Net assets released from program restrictions | 143,980 | (143,980) | - | - |
| Total Support and Revenue | 2,938,519 | 108,720 | 3,047,239 | 1,840,891 |
| Expenses | | | | |
| Program | 1,642,651 | - | 1,642,651 | 1,547,832 |
| Management and general | 263,426 | - | 263,426 | 325,647 |
| Fundraising | 254,023 | - | 254,023 | 170,002 |
| Total Expenses | 2,160,100 | - | 2,160,100 | 2,043,481 |
| Change in Net Assets | 778,419 | 108,720 | 887,139 | (202,590) |
| Net Assets, Beginning of Year, As Originally Reported | 924,796 | 101,194 | 1,025,990 | 1,469,182 |
| Prior Period Adjustment | - | - | - | (240,602) |
| Net Assets, Beginning of Year, As Restated | 924,796 | 101,194 | 1,025,990 | 1,228,580 |
| Net Assets, End of Year | \$ 1,703,215 | \$ 209,914 | \$ 1,913,129 | \$ 1,025,990 |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2017

| | 2018 | (As Restated) 2017 |
|---|-------------------|-------------------------------|
| Cash Flows from Operating Activities | | |
| Cash received from donors | \$ 1,751,245 | \$ 1,218,316 |
| Cash received from governmental and individual service recipients | 354,361 | 323,148 |
| Cash received from others | 19,371 | 21,276 |
| Cash paid to suppliers and employees | (1,768,701) | (1,632,822) |
| Interest and dividends received | 1,226 | 1,131 |
| Interest paid | (884) | - |
| | 356,618 | (68,951) |
| Cash Flows from Investing Activities | | |
| Additions to property and equipment | (185,828) | (62,963) |
| Cash Flows from Financing Activities | | |
| Proceeds from line of credit | 100,000 | - |
| Payments on line of credit | (100,000) | - |
| Payments on loan payable | (5,000) | (5,000) |
| | (5,000) | (5,000) |
| Net Increase (Decrease) in Cash | 165,790 | (136,914) |
| Cash and Cash Equivalents, Beginning | 181,836 | 318,750 |
| Cash and Cash Equivalents, Ending | \$ 347,626 | \$ 181,836 |
| Reconciliation of the Change in Net Assets | | |
| To Net Cash Provided by (Used in) Operating Activities | | |
| Change in Net Assets | \$ 887,139 | \$ (202,590) |
| Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 81,217 | 68,240 |
| Uncollectible pledges | 15,000 | - |
| (Increase) Decrease in: | | |
| Accounts receivable | 49,073 | (16,338) |
| Contributions receivable | (615,286) | 33,556 |
| Prepaid expenses | 10,275 | 953 |
| Increase (Decrease) in: | | |
| Accounts payable | (73,319) | 50,588 |
| Accrued salaries and vacation | 2,517 | (3,973) |
| Security deposits | 2 | 613 |
| | 2 | 613 |
| Net Cash Provided by (Used in) Operating Activities | \$ 356,618 | \$ (68,951) |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2017

(As Restated)
2017

| | 2018 | | | Total | Total |
|----------------------------------|---------------------|-----------------------------------|--------------------|---------------------|---------------------|
| | Program | Management and General | Fundraising | | |
| Salaries | \$ 808,030 | \$ 175,909 | \$ 121,660 | \$ 1,105,599 | \$ 1,046,362 |
| Occupancy | 373,951 | 4,034 | 690 | 378,675 | 283,865 |
| Benefits | 98,982 | 13,308 | 14,429 | 126,719 | 132,675 |
| Program expenses | 94,331 | 1,842 | 6,107 | 102,280 | 153,368 |
| Payroll taxes | 67,200 | 13,278 | 8,890 | 89,368 | 93,959 |
| Depreciation | 76,441 | 4,776 | - | 81,217 | 68,240 |
| Professional fees | 8,550 | 20,921 | 38,719 | 68,190 | 110,944 |
| Rental assistance | 57,535 | - | - | 57,535 | 49,585 |
| Office supplies | 7,183 | 4,479 | 28,391 | 40,053 | 15,831 |
| Advertising | - | 100 | 20,150 | 20,250 | 12,783 |
| Insurance | 12,562 | 6,102 | - | 18,664 | 19,417 |
| Education and meetings | 5,694 | 8,289 | 1,998 | 15,981 | 12,483 |
| Computer expenses | 2,044 | 8,473 | 2,777 | 13,294 | 16,707 |
| Printing, copying and postage | - | 336 | 9,257 | 9,593 | 10,441 |
| Travel | 6,940 | 299 | 955 | 8,194 | 9,992 |
| Merchant and bank fees | 7,152 | 265 | - | 7,417 | 5,645 |
| Uncollectible pledges | 15,000 | - | - | 15,000 | - |
| Taxes and licenses | 1,056 | 131 | - | 1,187 | 1,184 |
| Interest | - | 884 | - | 884 | - |
| Total Expenses | \$ 1,642,651 | \$ 263,426 | \$ 254,023 | \$ 2,160,100 | \$ 2,043,481 |
| | 76% | 12% | 12% | 100% | 100% |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 and Contributions Receivable

Accounts and contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts and contributions receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

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.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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, 2018, the Organization had no uninsured cash balances.

Note 3 – Pledges Receivable

Unconditional promises to give (pledges) consist of the following:

| | 2018 | 2017 |
|--|-------------|-------------|
| Receivable in less than one year | \$ 344,880 | \$ - |
| Receivable in one to five years | 287,500 | - |
| Thereafter | - | - |
| | 632,380 | - |
| Total unconditional promises to give | 632,380 | - |
| Less discounts to net present value | - | - |
| Less allowance for uncollectible pledges | (15,000) | - |
| | \$ 617,380 | \$ - |
| Net unconditional promises to give | | |

The effective interest rate for the discount was 0%. The pledges are unrestricted.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 4 – Property and Equipment

Property and equipment consists of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|-------------------|-------------------|
| Land | \$ 147,770 | \$ 147,770 |
| Buildings and improvements | 1,538,167 | 1,282,418 |
| Vehicles | 59,948 | 59,948 |
| Furniture and equipment | 156,339 | 156,339 |
| Construction in progress | 1,000 | 70,922 |
| | <u>1,903,224</u> | <u>1,717,397</u> |
| Less accumulated depreciation | 909,025 | 827,809 |
| | <u>\$ 994,199</u> | <u>\$ 889,588</u> |

Note 5 – Loan Payable

The Organization has a 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, 2019. The balance at September 30, 2018 and 2017 was \$5,000 and \$10,000, respectively.

Future minimum payments on the term loan are as follows:

| <u>Year ending September 30,</u> | |
|----------------------------------|----------|
| 2019 | \$ 4,584 |
| 2020 | 416 |

Note 6 – Line of Credit

The Organization has a \$50,000 line of credit agreement with Community Bank, due and payable October 1, 2018, with an interest rate of the bank's prime rate, plus 1.5%, unsecured. At September 30, 2018 and 2017, there was no outstanding balance. Subsequent to year end, the line of credit was renewed for an additional year.

Note 7 – Lease Commitments

The Organization leases an apartment complex under a noncancelable lease agreement expiring on October 31, 2026. In addition, the landlord provides a discount on the lease. The discount for the years ending September 30, 2018 and 2017 were \$270,912 and \$155,544 per year, respectively. This is included on the Statement of Activities in gifts in kind and on the Statement of Functional Expenses in occupancy expenses.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 7 – Lease Commitments (continued)

Minimum payments under this operating lease, after the landlord’s discount, are as follows:

| <u>Year ending September 30,</u> | |
|----------------------------------|-----------|
| 2019 | \$ 24,016 |
| 2020 | 24,502 |
| 2021 | 24,502 |
| 2022 | 24,707 |
| 2023 | 25,728 |
| Thereafter | 57,887 |

Rent expense, including the discount, for the years ended September 30, 2018 and 2017 was \$296,316 and \$185,855, respectively.

Note 8 – Net Assets

Temporarily restricted net assets consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Temporarily Restricted Net Assets | | |
| Building upgrades | \$ 25,948 | \$ 71,008 |
| Homelessness program | - | 29,642 |
| Transitional housing | 60,000 | - |
| Immigrant family support | 53,700 | - |
| Women’s transformational programs | 26,010 | - |
| Salaries and case management | 25,000 | - |
| Counseling | 19,256 | - |
| Youth program | - | 544 |
| Total Temporarily Restricted Net Assets | <u>\$ 209,914</u> | <u>\$ 101,194</u> |

Note 9 – Fair Value Measurements

Promises to Give – Fair Value Election

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Institute elected that measure in accordance with SFAS No. 159, *The Fair Value Option of Financial Assets and Financial Liabilities*. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

Management considers the relationship with the donor, the donor’s past history of making timely payments, and the donor’s overall creditworthiness and incorporates this into a fair value measurement computation using present value techniques. The rate used in 2018 and 2017 was 0%.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 9 – Fair Value Measurements (continued)

The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution income.

The table below presents information about unconditional promises to give at September 30, 2018 and 2017.

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Promises Measured at Fair Value | | |
| Promised cash flows | \$ 287,500 | \$ - |
| Carrying amount | 284,500 | - |
| Fair value estimate | 287,500 | - |
| Measurement basis | Level 3 | Level 3 |
| Contribution income | - | - |
| Total changes included in the statement of activities | \$ 617,380 | \$ - |

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Promises Measured at Net Realizable Value | | |
| Carrying amount | \$ 329,880 | \$ - |
| Total carrying amount for unconditional promises to give | 617,380 | - |

The table below presents information about the changes in unconditional promises to give for the years ended September 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|-------------------|-------------|
| Beginning balance | \$ - | \$ - |
| Collections | (242,800) | - |
| Contribution revenue | 875,180 | - |
| Management and general (write-offs) | (15,000) | - |
| Ending balance | <u>\$ 617,380</u> | <u>\$ -</u> |

Note 10 – Restatement

During the year, it came to the Organization's attention that accumulated depreciation at September 30, 2016 was understated and depreciation expense for the year ending September 30, 2017 was overstated. Unrestricted net assets for the fiscal year ended September 30, 2016 were understated by \$240,602. The change in net assets for the year ended September 30, 2017 were overstated by \$11,154.

Note 11 – Subsequent Events

Subsequent events were evaluated through January 28, 2019, 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.