

Financial Statements

DOOR OF HOPE

September 30, 2019



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, 2019, 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.

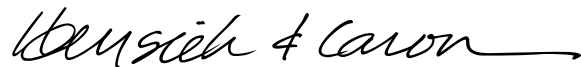
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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 2018 financial statements, and our report dated January 28, 2019, expressed an unmodified opinion on those audited financial statements, except for the restatement described in note 12. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, CA
January 21, 2020

DOOR OF HOPE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2018

ASSETS	2019	(As Restated) 2018
Assets		
Cash and cash equivalents	\$ 659,590	\$ 347,626
Accounts receivable, net of allowance for doubtful accounts of \$0 in 2019 and 2018	19,472	54,881
Contributions receivable, net of allowance for doubtful accounts of \$15,000 in 2019 and 2018	562,950	617,380
Prepaid expenses	27,145	21,807
Property and equipment, net	938,930	961,740
Total Assets	<u>\$ 2,208,087</u>	<u>\$ 2,003,434</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 19,871	\$ 41,410
Accrued salaries and vacation	90,750	71,709
Security deposits	5,600	4,645
Loan payable	-	5,000
Total Liabilities	<u>116,221</u>	<u>122,764</u>
Net Assets		
Without donor restrictions	2,068,814	1,670,756
With donor restrictions	23,052	209,914
Total Net Assets	<u>2,091,866</u>	<u>1,880,670</u>
Total Liabilities and Net Assets	<u>\$ 2,208,087</u>	<u>\$ 2,003,434</u>

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2018

	2019			(As Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Support and Revenue				
Contributions and grants	\$ 1,886,554	\$ 177,624	\$ 2,064,178	\$ 2,364,619
Government awards	83,153	-	83,153	299,902
Gifts in kind	397,259	-	397,259	356,737
Interest income	7,983	-	7,983	1,226
Rental income	19,087	-	19,087	18,326
Program income	3,624	-	3,624	5,384
Other income	2,059	-	2,059	1,045
Net assets released from program restrictions	364,486	(364,486)	-	-
Total Support and Revenue	2,764,205	(186,862)	2,577,343	3,047,239
Expenses				
Program	1,893,884	-	1,893,884	1,642,651
Management and general	174,513	-	174,513	263,426
Fundraising	297,750	-	297,750	254,023
Total Expenses	2,366,147	-	2,366,147	2,160,100
Change in Net Assets	398,058	(186,862)	211,196	887,139
Net Assets, Beginning of Year, As Originally Reported	1,670,756	209,914	1,880,670	1,025,990
Prior Period Adjustment	-	-	-	(32,459)
Net Assets, Beginning of Year, As Restated	1,670,756	209,914	1,880,670	993,531
Net Assets, End of Year	\$ 2,068,814	\$ 23,052	\$ 2,091,866	\$ 1,880,670

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2018

	2019	(As Restated) 2018
Cash Flows from Operating Activities		
Cash received from donors	\$ 2,118,608	\$ 1,751,245
Cash received from governmental and individual service recipients	123,141	354,361
Cash received from others	21,146	19,371
Cash paid to suppliers and employees	(1,887,675)	(1,768,701)
Interest and dividends received	7,983	1,226
Interest paid	-	(884)
	383,203	356,618
Cash Flows from Investing Activities		
Additions to property and equipment	(66,239)	(185,828)
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 in Cash	311,964	165,790
Cash and Cash Equivalents, Beginning	347,626	181,836
Cash and Cash Equivalents, Ending	\$ 659,590	\$ 347,626
Reconciliation of the Change in Net Assets		
To Net Cash Provided by Operating Activities		
Change in Net Assets	\$ 211,196	\$ 887,139
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	89,049	81,217
Uncollectible pledges	-	15,000
(Increase) Decrease in:		
Accounts receivable	35,409	49,073
Contributions receivable	54,430	(615,286)
Prepaid expenses	(5,338)	10,275
Increase (Decrease) in:		
Accounts payable	(21,539)	(73,319)
Accrued salaries and vacation	19,041	2,517
Security deposits	955	2
	\$ 383,203	\$ 356,618
Net Cash Provided by Operating Activities	\$ 383,203	\$ 356,618

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED INFORMATION AT SEPTEMBER 30, 2018

(As Restated)
2018

	2019			Total	Total
	Program	Management and General	Fundraising		
Salaries	\$ 1,019,241	\$ 86,247	\$ 149,302	\$ 1,254,790	\$ 1,105,599
Occupancy	416,577	2,437	1,529	420,543	378,675
Benefits	99,058	16,839	21,545	137,442	126,719
Supplies	106,275	3,793	3	110,071	102,280
Payroll taxes	85,139	13,343	10,744	109,226	89,368
Depreciation	83,706	5,343	-	89,049	81,217
Professional fees	1,922	21,871	37,212	61,005	68,190
Office supplies	2,021	5,414	39,626	47,061	40,053
Rental assistance	44,489	-	-	44,489	57,535
Education and meetings	7,266	14,468	1,948	23,682	15,981
Insurance	16,270	2,699	-	18,969	18,664
Printing, copying and postage	97	16	17,009	17,122	9,593
Travel	7,478	613	1,887	9,978	8,194
Merchant and bank fees	-	130	8,829	8,959	7,417
Advertising	-	-	7,733	7,733	20,250
Computer expenses	4,345	218	383	4,946	13,294
Taxes and licenses	-	1,082	-	1,082	1,187
Uncollectible pledges	-	-	-	-	15,000
Interest	-	-	-	-	884
Total Expenses	\$ 1,893,884	\$ 174,513	\$ 297,750	\$ 2,366,147	\$ 2,160,100
	80%	7%	13%	100%	100%

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 815 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, 141 families were served including well over 319 children.

Public Support and Revenue

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents, its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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 \$3,000. Depreciation is provided using the straight-line method over three to twenty-seven years.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied based on periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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 – New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The ASU 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. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Temporarily restricted net assets and permanently restricted net assets have been combined into a single net asset class called net assets with donor restrictions.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 2 – New Accounting Pronouncement (continued)

The changes have the following effect on net assets at September 30, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 892,337	\$ -
Temporarily restricted net assets	101,194	-
Net assets without donor restriction	-	892,337
Net assets with donor restriction	-	101,194
Total	<u>\$ 993,531</u>	<u>\$ 993,531</u>

Note 3 – 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, 2019, the Organization had no uninsured cash balances.

Note 4 – Pledges Receivable

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

	2019	2018
Receivable in less than one year	\$ 492,450	\$ 344,880
Receivable in one to five years	85,500	287,500
Thereafter	-	-
Total unconditional promises to give	577,950	632,380
Less discounts to net present value	-	-
Less allowance for uncollectible pledges	(15,000)	(15,000)
Net unconditional promises to give	<u>\$ 562,950</u>	<u>\$ 617,380</u>

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

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 5 – Property and Equipment

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 147,770	\$ 147,770
Buildings and improvements	1,566,606	1,538,167
Vehicles	98,748	59,948
Furniture and equipment	156,339	156,339
Construction in progress	-	1,000
	<u>1,969,463</u>	<u>1,903,224</u>
Less accumulated depreciation	1,030,533	941,484
	<u>\$ 938,930</u>	<u>\$ 961,740</u>

Note 6 – Loan Payable

The Organization had a non-interest bearing loan payable to Verdugo Housing Corporation, payable in monthly principal payments of \$417. The loan was unsecured and was due on October 31, 2019. The balance at September 30, 2018 was \$5,000. The loan was paid in full prior to year-end.

Note 7 – Line of Credit

The Organization has a \$50,000 line of credit agreement with Community Bank, due and payable October 1, 2019, with an interest rate of the bank’s prime rate, plus 1.5%, unsecured. At September 30, 2019 and 2018, there was no outstanding balance. Subsequent to year end, the renewal of the line of credit is under negotiation.

Note 8 – 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, 2019 and 2018 were \$270,904 and \$270,912 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.

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

<u>Year ending September 30,</u>	
2020	\$ 24,016
2021	24,502
2022	24,502
2023	24,809
2024	25,728
Thereafter	53,600

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 8 – Lease Commitments (continued)

Rent expense, including the discount, for the years ended September 30, 2019 and 2018 was \$332,336 and \$296,316, respectively.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Building upgrades	\$ -	\$ 25,948
Homelessness program	5,369	-
Transitional housing	-	60,000
Health and personal growth program	683	
Immigrant family support	-	53,700
Women’s transformational programs	-	26,010
Salaries and case management	-	25,000
Counseling	-	19,256
Youth program	17,000	-
	<u>\$ 23,052</u>	<u>\$ 209,914</u>

Note 10 – 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 Organization 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 2019 and 2018 was 0%.

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.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 10 – Fair Value Measurements (continued)

The table below presents information about unconditional promises to give at September 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Promises Measured at Fair Value		
Promised cash flows	\$ 85,500	\$ 287,500
Carrying amount	85,500	287,500
Fair value estimate	85,500	287,500
Measurement basis	Level 3	Level 3
Contribution income	-	-
Total changes included in the statement of activities	\$ 592,091	\$ 860,180
	<u>2019</u>	<u>2018</u>
Promises Measured at Net Realizable Value		
Carrying amount	\$ 477,450	\$ 329,880
Total carrying amount for unconditional promises to give	562,950	617,380

The table below presents information about the changes in unconditional promises to give for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 617,380	\$ -
Collections	(631,521)	(242,800)
Contribution revenue	592,091	875,180
Management and general (write-offs)	(15,000)	(15,000)
Ending balance	<u>\$ 562,950</u>	<u>\$ 617,380</u>

Note 11 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets at the statement of financial position date, reduced by amounts not available for general use within one year of the statement date because of contractual or donor-imposed restrictions.

Financial assets at September 30, 2019 is comprised of:

Cash and cash equivalents	\$ 659,590
Contributions receivable	562,950
Accounts receivable	19,472
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,242,012</u>

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 11 – Liquidity and Availability of Financial Assets (continued)

The Organization has certain donor-restricted net assets that are available for general expenditures within one year of September 30, 2019, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

The Organization is substantially supported by contributions with restrictions and without restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 12 – Restatement

During the year, it came to the Organization's attention that accumulated depreciation at September 30, 2017 was understated. Net assets without donor restrictions for the fiscal year ended September 30, 2017 were overstated by \$32,459.

Note 13 – Subsequent Events

Subsequent events were evaluated through January 21, 2020, 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.