

Financial Statements

DOOR OF HOPE

December 31, 2019



HENSIEK & CARON

CERTIFIED PUBLIC ACCOUNTANTS
650 SIERRA MADRE VILLA, SUITE 303
PASADENA, CALIFORNIA 91107
TELEPHONE (626) 792-9988 FAX (626) 792-9852

BARRY B. HENSIEK, CPA
SUSAN E. CARON, CPA

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 December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the fifteen months 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 December 31, 2019, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Wenzick & Caron

Pasadena, CA
May 19, 2020

DOOR OF HOPE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Assets

Cash and cash equivalents	\$ 1,265,438
Accounts receivable, net of allowance for doubtful accounts of \$0	15,837
Contributions receivable, net of allowance for doubtful accounts of \$6,600	547,595
Prepaid expenses	41,287
Property and equipment, net	<u>914,328</u>
Total Assets	<u><u>\$ 2,784,485</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 29,249
Accrued salaries and vacation	93,285
Security deposits	<u>6,650</u>
Total Liabilities	<u>129,184</u>

Net Assets

Without donor restrictions	2,589,704
With donor restrictions	<u>65,597</u>
Total Net Assets	<u>2,655,301</u>
Total Liabilities and Net Assets	<u><u>\$ 2,784,485</u></u>

DOOR OF HOPE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions and grants	\$ 2,875,172	\$ 261,424	\$ 3,136,596
Government awards	98,329	-	98,329
Gifts in kind	489,709	-	489,709
Interest income	10,127	-	10,127
Rental income	24,352	-	24,352
Program income	5,807	-	5,807
Other income	2,723	-	2,723
Net assets released from program restrictions	405,741	(405,741)	-
Total Support and Revenue	<u>3,911,960</u>	<u>(144,317)</u>	<u>3,767,643</u>
Expenses			
Program	2,409,236	-	2,409,236
Management and general	207,683	-	207,683
Fundraising	376,093	-	376,093
Total Expenses	<u>2,993,012</u>	<u>-</u>	<u>2,993,012</u>
Change in Net Assets	918,948	(144,317)	774,631
Net Assets, October 1, 2019	<u>1,670,756</u>	<u>209,914</u>	<u>1,880,670</u>
Net Assets, December 31, 2019	<u><u>\$ 2,589,704</u></u>	<u><u>\$ 65,597</u></u>	<u><u>\$ 2,655,301</u></u>

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities	
Cash received from donors	\$ 3,206,381
Cash received from governmental and individual service recipients	145,185
Cash received from others	27,075
Cash paid to suppliers and employees	(2,399,718)
Interest and dividends received	10,127
	<hr/>
Net Cash Provided by Operating Activities	989,050
Cash Flows from Investing Activities	
Additions to property and equipment	(66,238)
Cash Flows from Financing Activities	
Payments on loan payable	(5,000)
	<hr/>
Net Increase in Cash	917,812
Cash and Cash Equivalents, Beginning	<hr/> 347,626
Cash and Cash Equivalents, Ending	<u><u>\$ 1,265,438</u></u>
Reconciliation of the Change in Net Assets	
To Net Cash Provided by Operating Activities	
Change in Net Assets	\$ 774,631
Adjustments to reconcile the change in net assets to net cash provided by operating activities	
Depreciation	113,650
Uncollectible pledges	6,600
(Increase) Decrease in:	
Accounts receivable	32,444
Contributions receivable	69,785
Prepaid expenses	(19,480)
Increase (Decrease) in:	
Accounts payable	(12,161)
Accrued salaries and vacation	21,576
Security deposits	2,005
	<hr/>
Net Cash Provided by Operating Activities	<u><u>\$ 989,050</u></u>

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,308,015	\$ 95,891	\$ 183,410	\$ 1,587,316
Occupancy	521,634	2,945	1,959	526,538
Benefits	126,831	19,258	27,793	173,882
Supplies	132,666	5,281	1,469	139,416
Payroll taxes	106,770	14,404	14,097	135,271
Depreciation	107,009	6,641	-	113,650
Professional fees	2,050	33,730	48,293	84,073
Rental assistance	56,065	-	-	56,065
Office supplies	3,386	6,560	43,317	53,263
Printing, copying and postage	97	16	28,662	28,775
Education and meetings	8,933	16,703	2,477	28,113
Insurance	22,256	2,884	-	25,140
Travel	8,691	657	3,745	13,093
Merchant and bank fees	-	392	12,585	12,977
Advertising	29	-	7,903	7,932
Computer expenses	4,804	684	383	5,871
Taxes and licenses	-	1,637	-	1,637
	<u>\$ 2,409,236</u>	<u>\$ 207,683</u>	<u>\$ 376,093</u>	<u>\$ 2,993,012</u>
Total Expenses	80%	7%	13%	100%

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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
DECEMBER 31, 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
DECEMBER 31, 2019

Note 2 – New Accounting Pronouncement (continued)

The changes have the following effect on net assets at September 30, 2018:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,670,756	\$ -
Temporarily restricted net assets	209,914	-
Net assets without donor restriction	-	1,670,756
Net assets with donor restriction	-	209,914
Total	<u>\$ 1,880,670</u>	<u>\$ 1,880,670</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 December 31, 2019, the Organization's uninsured cash balance was \$471,363.

Note 4 – Pledges Receivable

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

Receivable in less than one year	\$ 465,495
Receivable in one to five years	88,700
Thereafter	-
	<hr/>
Total unconditional promises to give	554,195
Less discounts to net present value	-
Less allowance for uncollectible pledges	(6,600)
	<hr/>
Net unconditional promises to give	<u>\$ 547,595</u>

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

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 – Property and Equipment

Property and equipment consists of the following:

Land	\$ 147,770
Buildings and improvements	1,566,606
Vehicles	98,748
Furniture and equipment	156,339
	1,969,463
Less accumulated depreciation	1,055,135
	\$ 914,328

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 December 31, 2019.

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 December 31, 2019 there was no outstanding balance.

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 fifteen months ending December 31, 2019 was \$338,630. 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 December 31,</u>	
2020	\$ 24,308
2021	24,502
2022	24,502
2023	25,115
2024	25,728
Thereafter	47,168

Rent expense, including the discount, for the fifteen months ended December 31, 2019 was \$415,420.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

Capital expenditures	\$ 3,000
Male mentoring	3,839
Mental health support	40,000
Health and personal growth program	1,658
Youth program	17,100
	<u>\$ 65,597</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 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.

The table below presents information about unconditional promises to give at December 31, 2019.

Promises Measured at Fair Value	
Promised cash flows	\$ 88,700
Carrying amount	88,700
Fair value estimate	88,700
Measurement basis	Level 3
Contribution income	705,191
Total changes included in the statement of activities	\$ 705,191
 Promises Measured at Net Realizable Value	
Carrying amount	\$ 458,895
Total carrying amount for unconditional promises to give	547,595

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 10 – Fair Value Measurements (continued)

The table below presents information about the changes in unconditional promises to give for the fifteen months ended December 31, 2019:

Beginning balance	\$ 617,380
Collections	(768,376)
Contribution revenue	705,191
Management and general (write-offs)	(6,600)
Ending balance	<u>\$ 547,595</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 December 31, 2019 is comprised of:

Cash and cash equivalents	\$ 1,265,438
Contributions receivable	547,595
Accounts receivable	<u>15,837</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,828,870</u>

The Organization has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 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 – Subsequent Events

Subsequent events were evaluated through May 19, 2020, which is the date the financial statements were available to be issued.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 12 – Subsequent Events (continued)

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Church's operations. Future potential impacts may include disruptions or restrictions on employees' ability to work or the ability to raise funds. The future effects of these issues are unknown.