

*Financial Statements*

**DOOR OF HOPE**

December 31, 2020



# 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 December 31, 2020, 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 December 31, 2020, 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.

*Wensick & Caron*

Pasadena, CA  
June 2, 2021

**DOOR OF HOPE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

**Assets**

Cash and cash equivalents	\$ 2,650,982
Accounts receivable, net of allowance for doubtful accounts of \$0	52,794
Contributions receivable, net of allowance for doubtful accounts of \$8,000	915,686
Prepaid expenses	55,160
Property and equipment, net	<u>943,950</u>
<b>Total Assets</b>	<u><u>\$ 4,618,572</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 69,127
Accrued salaries and vacation	122,494
Refundable advances	190,000
Security deposits	<u>5,400</u>
<b>Total Liabilities</b>	<u>387,021</u>

**Net Assets**

Without donor restrictions	4,188,270
With donor restrictions	<u>43,281</u>
<b>Total Net Assets</b>	<u>4,231,551</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,618,572</u></u>

**DOOR OF HOPE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions and grants	\$ 3,761,942	\$ 386,689	\$ 4,148,631
Government awards	191,832	-	191,832
Gifts in kind	350,261	-	350,261
Interest income	5,138	-	5,138
Rental income	15,116	-	15,116
Program income	6,066	-	6,066
Other income	4,876	-	4,876
Net assets released from program restrictions	409,005	(409,005)	-
<b>Total Support and Revenue</b>	<u>4,744,236</u>	<u>(22,316)</u>	<u>4,721,920</u>
<b>Expenses</b>			
Program	2,668,771	-	2,668,771
Management and general	166,454	-	166,454
Fundraising	310,445	-	310,445
<b>Total Expenses</b>	<u>3,145,670</u>	<u>-</u>	<u>3,145,670</u>
<b>Change in Net Assets</b>	1,598,566	(22,316)	1,576,250
<b>Net Assets, Beginning of Year</b>	<u>2,589,704</u>	<u>65,597</u>	<u>2,655,301</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,188,270</u>	<u>\$ 43,281</u>	<u>\$ 4,231,551</u>

The accompanying notes are an integral part of these statements.

**DOOR OF HOPE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Cash Flows from Operating Activities</b>	
Cash received from donors	\$ 3,718,740
Cash received from governmental and individual service recipients	159,691
Cash received from others	19,992
Cash paid to suppliers and employees	(2,629,890)
Interest and dividends received	5,138
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	1,273,671
<b>Cash Flows from Investing Activities</b>	
Additions to property and equipment	(138,527)
<b>Cash Flows from Financing Activities</b>	
Proceeds from loan payable - Paycheck Protection Program	250,400
	<hr/>
<b>Net Increase in Cash</b>	1,385,544
<b>Cash and Cash Equivalents, Beginning</b>	<hr/> 1,265,438
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 2,650,982</u></u>
<b>Reconciliation of the Change in Net Assets</b>	
<b>To Net Cash Provided by Operating Activities</b>	
Change in Net Assets	\$ 1,576,250
Adjustments to reconcile the change in net assets to net cash provided by operating activities	
Depreciation	108,905
Uncollectible pledges	1,400
Forgiveness of loan payable - Paycheck Protection Program	(250,400)
(Increase) Decrease in:	
Accounts receivable	(36,957)
Contributions receivable	(369,491)
Prepaid expenses	(13,873)
Increase (Decrease) in:	
Accounts payable	39,878
Accrued salaries and vacation	29,209
Refundable advances	190,000
Security deposits	(1,250)
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 1,273,671</u></u>

The accompanying notes are an integral part of these statements.

**DOOR OF HOPE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,269,010	\$ 93,272	\$ 134,187	\$ 1,496,469
Occupancy	438,136	4,008	1,543	443,687
Rental assistance	343,030	-	-	343,030
Benefits	139,981	24,955	25,384	190,320
Supplies	157,312	2,672	1,517	161,501
Payroll taxes	104,752	6,317	10,668	121,737
Depreciation	108,905	-	-	108,905
Professional fees	8,143	21,522	41,454	71,119
Office supplies	4,166	1,774	42,928	48,868
Bad debts	38,925	-	-	38,925
Computer expenses	23,900	1,410	2,410	27,720
Insurance	25,181	405	-	25,586
Printing, copying and postage	30	106	23,120	23,256
Merchant and bank fees	91	160	16,103	16,354
Education and meetings	2,403	8,178	2,157	12,738
Advertising	1,417	24	7,637	9,078
Travel	3,389	531	1,337	5,257
Taxes and licenses	-	1,120	-	1,120
<b>Total Expenses</b>	<b><u><u>\$ 2,668,771</u></u></b>	<b><u><u>\$ 166,454</u></u></b>	<b><u><u>\$ 310,445</u></u></b>	<b><u><u>\$ 3,145,670</u></u></b>
	85%	5%	10%	100%

The accompanying notes are an integral part of these statements.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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 empower families facing homelessness to transform their lives. Through its comprehensive housing program, homelessness prevention program, and alumni support programs, and services, Door of Hope provides a compassionate pathway to long-term life change for families facing homelessness in 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, 227 families were served including well over 470 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, 2020**

**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 – 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, 2020, the Organization's uninsured cash balance was \$725,148.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 3 – Pledges Receivable**

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

Receivable in less than one year	\$ 385,405
Receivable in one to five years	538,281
Thereafter	-
Total unconditional promises to give	<u>923,686</u>
Less discounts to net present value	-
Less allowance for uncollectible pledges	<u>(8,000)</u>
Net unconditional promises to give	<u><u>\$ 915,686</u></u>

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

**Note 4 – Property and Equipment**

Property and equipment consists of the following:

Land	\$ 147,770
Buildings and improvements	1,672,363
Vehicles	98,748
Furniture and equipment	<u>189,109</u>
	2,107,990
Less accumulated depreciation	<u>1,164,040</u>
	<u><u>\$ 943,950</u></u>

**Note 5 – Paycheck Protection Program Loan**

On April 15, 2020, the Organization obtained a \$250,400 loan from Community Commerce Bank, pursuant to the Paycheck Protection Program (PPP), under the Coronavirus Aid Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020. Funds from the loan may only be used for payroll costs, employee health insurance, mortgage interest, rent or lease obligations and utilities.

The Organization was required to apply for loan forgiveness. On November 2, 2020, the Small Business Administration (SBA) confirmed full and complete forgiveness of the unpaid balance. The forgiven balance of \$250,400 is included in contributions and grant income on the statement of activity and changes in net assets.

**Note 6 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following:

Alumni homelessness prevention	\$ 14,363
Educational support	5,778
Male mentoring	4,158
Mental health support	2,100
Youth program	<u>16,882</u>
	<u><u>\$ 43,281</u></u>

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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 year ending December 31, 2020 was \$269,930. 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>	
2021	\$ 24,502
2022	24,502
2023	25,115
2024	25,728
Thereafter	47,168

Rent expense, including the discount, for the year ended December 31, 2020 was \$332,338.

**Note 8 – 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 2020 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, 2020.

Promises Measured at Fair Value	
Promised cash flows	\$ 538,281
Carrying amount	538,281
Fair value estimate	538,281
Measurement basis	Level 3
Contribution income	901,600
Total changes included in the statement of activities	\$ 862,675
Promises Measured at Net Realizable Value	
Carrying amount	\$ 377,405
Total carrying amount for unconditional promises to give	915,686

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 8 – Fair Value Measurements (continued)**

The table below presents information about the changes in unconditional promises to give for the fifteen months ended December 31, 2020:

Beginning balance	\$ 547,595
Collections	(494,584)
Contribution revenue	901,600
Management and general (write-offs)	<u>(38,925)</u>
Ending balance	<u>\$ 915,686</u>

**Note 9 – Refundable Advances**

Refundable advances include donations restricted for an endowment fund if the board votes to match the funds raised. Subsequent to year end, the board elected to match the restricted funds. In 2021, the refundable advance will be recognized as income and will increase net assets with donor restrictions.

**Note 10 – 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, 2020 is comprised of:

Cash and cash equivalents	\$ 2,650,982
Contributions receivable	915,686
Accounts receivable	<u>52,794</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,619,462</u>

The Organization has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2020, 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.

**DOOR OF HOPE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 11 – Commitments and Contingencies**

In early March 2020, the spread of Coronavirus Disease 2019 (“COVID-19”) was declared a global pandemic. As a result of efforts to slow the spread of COVID-19, the Organization reorganized and continued operations.

The Organization continues to actively monitor the current and potential impacts of COVID-19, and will prepare and plan accordingly. The continued spread of COVID-19 could adversely impact results of operations, cash flows and financial conditions. However, the Organization is not able to predict any potential impact at this time. No adjustments were necessary to the financial statements with respect to this matter.

**Note 12 – Subsequent Events**

Subsequent events were evaluated through June 2, 2021, 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.