

Financial Statements

DOOR OF HOPE

December 31, 2022



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

Opinion

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, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Door of Hope and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Door of Hope's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

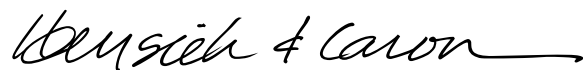
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Door of Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Door of Hope's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Door of Hope's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Pasadena, CA
October 18, 2023

DOOR OF HOPE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2021

| ASSETS | | 2022 | 2021 |
|--|--|----------------------------|----------------------------|
| | | <u> </u> | <u> </u> |
| Assets | | | |
| Cash and cash equivalents | | \$ 3,200,243 | \$ 3,132,333 |
| Accounts receivable, net of allowance for doubtful accounts of \$0 for 2022 and 2021 | | 67,373 | 15,565 |
| Contributions and pledges receivable, net of allowance for doubtful accounts of \$5,902 for 2022 and \$5,110 for 2021 | | 1,366,897 | 1,411,511 |
| Prepaid expenses | | 73,925 | 65,284 |
| Lease - right of use asset, net of amortization of \$165,563 for 2022 and \$98,049 for 2021 | | 842,158 | 114,738 |
| Investments | | 554,283 | 556,001 |
| Property and equipment, net | | 1,161,545 | 987,272 |
| Security deposit | | 9,522 | 8,937 |
| | | <u> </u> | <u> </u> |
| Total Assets | | <u><u>\$ 7,275,946</u></u> | <u><u>\$ 6,291,641</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable | | \$ 45,321 | \$ 65,648 |
| Accrued salaries and vacation | | 162,458 | 148,318 |
| Lease liability | | 856,357 | 114,738 |
| Security deposits | | 26,473 | 9,050 |
| | | <u> </u> | <u> </u> |
| Total Liabilities | | <u>1,090,609</u> | <u>337,754</u> |
| Net Assets | | | |
| Without donor restrictions | | 5,223,118 | 5,039,487 |
| With donor restrictions | | 962,219 | 914,400 |
| | | <u> </u> | <u> </u> |
| Total Net Assets | | <u>6,185,337</u> | <u>5,953,887</u> |
| | | <u> </u> | <u> </u> |
| Total Liabilities and Net Assets | | <u><u>\$ 7,275,946</u></u> | <u><u>\$ 6,291,641</u></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 DECEMBER 31, 2022
WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2021

| | 2022 | | 2021 | |
|--|---------------------------------------|------------------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Support and Revenue | | | | |
| Contributions and grants | \$ 3,530,336 | \$ 789,583 | \$ 4,319,919 | 4,966,274 |
| Government awards | 113,643 | - | 113,643 | 91,991 |
| Gifts in kind | 515,746 | - | 515,746 | 488,136 |
| Investment returns | (19,715) | (73,381) | (93,096) | 46,208 |
| Rental income | - | - | - | 23,153 |
| Program income | 1,302 | - | 1,302 | 10,164 |
| Other income | 2,072 | - | 2,072 | 1,937 |
| Net assets released from program restrictions | 668,383 | (668,383) | - | - |
| Total Support and Revenue | 4,811,767 | 47,819 | 4,859,586 | 5,627,863 |
| Expenses | | | | |
| Program | 3,782,574 | - | 3,782,574 | 3,108,215 |
| Management and general | 312,237 | - | 312,237 | 274,586 |
| Fundraising | 533,325 | - | 533,325 | 522,726 |
| Total Expenses | 4,628,136 | - | 4,628,136 | 3,905,527 |
| Change in Net Assets | 183,631 | 47,819 | 231,450 | 1,722,336 |
| Net Assets, Beginning of Year | 5,039,487 | 914,400 | 5,953,887 | 4,231,551 |
| Net Assets, End of Year | \$ 5,223,118 | \$ 962,219 | \$ 6,185,337 | \$ 5,953,887 |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 231,450 | \$ 1,722,336 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities | | |
| Depreciation | 110,369 | 104,446 |
| Uncollectible pledges | (792) | (2,890) |
| Realized and unrealized (gain) loss on investments | 169,706 | (41,783) |
| Change in net lease asset | 14,199 | - |
| Contributions received for long-term purposes | (125,000) | (310,000) |
| (Increase) Decrease in: | | |
| Accounts receivable | (51,016) | 37,229 |
| Contributions receivable | 44,614 | (492,935) |
| Prepaid expenses | (8,641) | (10,124) |
| Security deposit | (585) | (8,937) |
| Increase (Decrease) in: | | |
| Accounts payable | (20,327) | (3,479) |
| Accrued salaries and vacation | 14,140 | 25,824 |
| Refundable advances | - | (190,000) |
| Security deposits | 17,423 | 3,650 |
| Net Cash Provided by Operating Activities | <u>395,540</u> | <u>833,337</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | - | 1,490 |
| Purchases of investments | (167,988) | (515,708) |
| Additions to property and equipment | (284,642) | (147,768) |
| Net Cash Used in Investing Activities | <u>(452,630)</u> | <u>(661,986)</u> |
| Cash Flows from Financing Activities | | |
| Contributions received for long-term purposes | <u>125,000</u> | <u>310,000</u> |
| Net Increase in Cash | 67,910 | 481,351 |
| Cash and Cash Equivalents, Beginning | <u>3,132,333</u> | <u>2,650,982</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 3,200,243</u> | <u>\$ 3,132,333</u> |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2021

| | 2022 | | | 2021 | |
|----------------------------------|---------------------|-----------------------------------|--------------------|---------------------|------------------|
| | Program | Management and General | Fundraising | Total | Total |
| Salaries | \$ 1,558,586 | \$ 167,460 | \$ 222,665 | \$ 1,948,711 | 1,701,348 |
| Occupancy | 891,407 | 3,269 | 2,941 | 897,617 | 660,366 |
| Rental assistance | 562,314 | - | - | 562,314 | 441,820 |
| Benefits | 188,855 | 27,615 | 42,668 | 259,138 | 229,948 |
| Supplies | 179,388 | 25,040 | 36 | 204,464 | 206,488 |
| Payroll taxes | 129,617 | 11,454 | 17,783 | 158,854 | 136,807 |
| Depreciation | 114,414 | - | - | 114,414 | 104,445 |
| Professional fees | 29,031 | 29,124 | 56,205 | 114,360 | 101,286 |
| Office supplies | 11,467 | 4,966 | 67,313 | 83,746 | 85,889 |
| Advertising | 5,605 | 68 | 59,108 | 64,781 | 22,571 |
| Education and meetings | 16,272 | 35,566 | 2,312 | 54,150 | 37,882 |
| Computer expenses | 29,922 | 6,863 | 1,189 | 37,974 | 47,837 |
| Insurance | 31,169 | (150) | - | 31,019 | 27,714 |
| Printing, copying and postage | 1,410 | 27 | 27,972 | 29,409 | 62,684 |
| Travel | 25,102 | 10 | 226 | 25,338 | 5,943 |
| Merchant and bank fees | 6,853 | 925 | 12,907 | 20,685 | 22,967 |
| Bad debts | - | - | 20,000 | 20,000 | 8,000 |
| Taxes and licenses | 1,162 | - | - | 1,162 | 1,532 |
| Total Expenses | \$ 3,782,574 | \$ 312,237 | \$ 533,325 | \$ 4,628,136 | 3,905,527 |
| | 82% | 7% | 11% | 100% | |

The accompanying notes are an integral part of these statements.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 1150 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, 347 families were served including well over 728 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 \$5,000. Depreciation is provided using the straight-line method over three to twenty-seven years.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are valued at fair value, with realized and unrealized gains and losses reflected in the statements of activities. The fair value of investments is generally based on quoted market value.

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.

Revenue and Revenue Recognition

Contribution Revenue

Contributions received are considered available for unrestricted use unless restricted by the donor. The Organization records contributions with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Government Awards and Program Revenue

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Rental Revenue

Rental revenue is recognized when earned. Rental income received in advance is deferred to the applicable period when the facility is occupied.

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.

Lease

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). The amendments in ASU 2016-02 create FASB ASC Topic 842, Leases, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. On April 8, 2020, the FASB voted to defer the effective date of ASU 2016-02 by one additional year. The ASU is effective for the year ended December 31, 2022 and applied to the comparative year.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

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 Organization. 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, 2022, the Organization's uninsured cash balance was \$846,930.

Note 3 – Contributions and Pledges Receivable

Contributions receivable including grants and pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Contributions and Pledges Receivable (continued)

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

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Receivable in less than one year | \$ 1,026,693 | \$ 1,012,308 |
| Receivable in one to five years | 346,106 | 404,313 |
| Total unconditional promises to give | 1,372,799 | 1,416,621 |
| Less discounts to net present value | - | - |
| Less allowance for uncollectible pledges | (5,902) | (5,110) |
| Net unconditional promises to give | <u>\$ 1,366,897</u> | <u>\$ 1,411,511</u> |

The pledges are unrestricted.

Note 4 – Property and Equipment

Property and equipment consists of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|-------------------|
| Land | \$ 147,770 | \$ 147,770 |
| Buildings and improvements | 1,745,297 | 1,677,598 |
| Vehicles | 98,748 | 98,748 |
| Furniture and equipment | 325,055 | 311,846 |
| Construction in progress | 227,574 | 19,795 |
| | 2,544,444 | 2,255,757 |
| Less accumulated depreciation | 1,382,899 | 1,268,485 |
| | <u>\$ 1,161,545</u> | <u>\$ 987,272</u> |

Note 5 – Investments and Fair Value Measurements

U.S. GAAP requires reporting certain assets and liabilities at fair value in the financial statements. Under U.S. GAAP, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to a market participant at the measurement date.

FASB ASC Topic 820, *Fair Value Measurement and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 – Investments and Fair Value Measurements (continued)

- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2022 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|--------------------|-------------------|---|--|--|
| Money market funds | \$ 167,701 | \$ 167,701 | \$ - | \$ - |
| Mutual funds | 386,582 | 386,582 | - | - |
| | <u>\$ 554,283</u> | <u>\$ 554,283</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2021 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) |
|--------------------|-------------------|---|--|--|
| Money market funds | \$ 41,253 | \$ 41,253 | \$ - | \$ - |
| Mutual funds | 514,748 | 514,748 | - | - |
| | <u>\$ 556,001</u> | <u>\$ 556,001</u> | <u>\$ -</u> | <u>\$ -</u> |

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions

Note 6 – Employee Benefit Plan

The Organization established a 403(b) profit sharing plan for qualifying employees that are at least 21 years of age. Eligible employees may defer a portion of their income to the plan. The Organization may make annual contributions to the 403(b) plan. For the years ending December 31, 2022 and 2021, the Organization contributed \$20,007 and \$18,377 to the plan, respectively.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Capital improvements | \$ 278,965 | \$ 368,066 |
| Youth programs | 49,954 | 60,860 |
| Leasing support | - | 49,941 |
| Transitional housing and homelessness prevention | 157,334 | 30,000 |
| Education support | 30,886 | 27,938 |
| Future growth fund | 25,000 | 25,000 |
| Mental health support | 25,500 | - |
| Interns | 5,488 | 15,000 |
| Medical costs | - | 122 |
| Investment returns on endowment funds not yet appropriated for expenditure | (45,908) | 27,473 |
| | <u>527,219</u> | <u>604,400</u> |
| Endowment funds | 435,000 | 310,000 |
| Total net assets with donor restrictions | <u>\$ 962,219</u> | <u>\$ 914,400</u> |

Note 8 – Gifts-in-Kind

The Organization received gifts-in-kind for the year ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------|-------------------|-------------------|
| Rent | \$ 440,611 | \$ 427,836 |
| Professional fees | 25,000 | 25,428 |
| Program items | 50,135 | 34,872 |
| | <u>\$ 515,746</u> | <u>\$ 488,136</u> |

The Organization’s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization was gifted with rent at various locations. Based on the rate agreed upon for the locations, the Organization would have paid \$440,611 and \$427,836, for the years ended December 31, 2022 and 2021, respectively.

The Organization was gifted construction consulting. Based on the rate agreed upon for the consultant, the Organization would have paid \$25,000 and \$25,428, for the years ended December 31, 2022 and 2021, respectively.

The Organization was gifted with various program items, such as gift cards, small furnishings, meals and clothing. Based on estimates of wholesale values that would be received for selling similar products in the United States, the Organization would have paid \$50,135 and \$34,872 for the years ended December 31, 2022 and 2021, respectively.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 8 – Gifts-in-Kind (continued)

The fair value of donated services included as contributions in the financial statements and the corresponding program expense for the year ended December 31, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------|-------------------|-------------------|
| Professional fees | \$ 25,000 | \$ 25,428 |
| Program expense | 24,385 | 34,872 |
| Occupancy | 466,361 | 427,836 |
| | <u>\$ 515,746</u> | <u>\$ 488,136</u> |

Note 9 – Endowment

Board-designated Endowment

As of May 31, 2021, the Board of Directors designated \$200,000 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The spending, investment return objectives, risk parameters, strategies and spending policy follow the same policies that apply to donor-restricted endowment funds.

Composition of and changes in endowment net assets are as follows:

| | |
|--|-------------------|
| Board-designated endowment net assets, December 31, 2020 | \$ - |
| Contributions | 200,000 |
| Investment returns | 18,528 |
| Board-designated endowment net assets, December 31, 2021 | <u>218,528</u> |
| Contributions | - |
| Investment returns | (49,805) |
| Board-designated endowment net assets, December 31, 2022 | <u>\$ 168,723</u> |

Donor-designated Endowment

The Organization's endowment consists of a fund established for general operations. The endowment includes only donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of the assets associated with the donor restricted endowment funds may fall below historical gift values. At December 31, 2022, the endowment had deficiencies totaling \$45,908. The deficiency is reflected in net assets with donor restrictions.

| | |
|---|--------------------|
| Fair value of underwater endowment – general operations | \$ 389,092 |
| Original endowment gifts amount – general operations | <u>435,000</u> |
| Deficiency of underwater endowment fund | <u>\$ (45,908)</u> |

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 9 – Endowment (continued)

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) amounts that have not been appropriated for by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Organization, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in mutual funds, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution equal to the lesser of 5% or the income generated by the underlying securities. The distribution is at the discretion of the finance committee.

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of appropriating for distribution each year an amount equal to the lesser of 5% or the income generated by the endowment assets for the prior year-end. In establishing this policy, The Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets.

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 9 – Endowment (continued)

Changes in donor-restricted endowment net assets are as follows:

| | |
|---|-------------------|
| Endowment net assets, December 31, 2020 | \$ - |
| Contributions | 310,000 |
| Investment returns | 27,473 |
| Amounts appropriated for expenditure | - |
| Endowment net assets, December 31, 2021 | \$ 337,473 |
| Contributions | 125,000 |
| Investment returns | (73,381) |
| Amounts appropriated for expenditure | - |
| Endowment net assets, December 31, 2022 | <u>\$ 389,092</u> |

Note 10 – Lease Commitments

The Organization leases an apartment complex under a noncancelable lease agreement expiring on October 31, 2026. The landlord provides a discount on the lease. The discount for the year ending December 31, 2022 was \$269,736. This is included on the Statement of Activities in gifts in kind and on the Statement of Functional Expenses in occupancy expenses.

The Organization leases an additional apartment complex under a noncancelable lease agreement expiring on December 31, 2026. The landlord provides this as a gift in kind. The discount for the year ending December 31, 2021 was \$120,000. This is included on the Statement of Activities in gifts in kind and on the Statement of Functional Expenses in occupancy expenses.

The Organization operates from offices under a noncancelable lease agreement expiring December 2026.

The following summarizes the line items in the statements of financial position which includes amounts for the operating leases as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------|-------------------|-------------------|
| Operating Lease | | |
| Lease right-of-use-asset | <u>\$ 842,158</u> | <u>\$ 114,738</u> |
| Lease liability | <u>\$ 856,357</u> | <u>\$ 114,738</u> |

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------|----------------|
| Operating Lease | | |
| Weighted average remaining lease term | <u>8 years</u> | <u>4 years</u> |
| Weighted average discount rate | <u>2.15%</u> | <u>2.26%</u> |

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 10 – Lease Commitments (continued)

The maturities of the operating lease liability as of December 31, 2022 is as follows:

| | |
|----------------------------------|-------------------|
| Years Ending December 31, | |
| 2023 | \$ 85,012 |
| 2024 | 92,357 |
| 2025 | 99,093 |
| 2026 | 101,539 |
| 2027 | 99,238 |
| Thereafter | <u>473,923</u> |
| Total lease payments | 951,162 |
| Less interest | <u>(94,805)</u> |
| Present Value of Lease Liability | <u>\$ 856,357</u> |

The operating lease costs for December 31, 2022 and 2021 was \$101,317 and \$24,502, respectively are included in the statement of activities in occupancy.

Cash paid for amounts included in the measurement of the operating lease liability for December 31, 2022 and 2021 was \$87,199 and \$24,502, respectively.

Note 11 – Pledge Receivable and 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 2022 and 2021 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
DECEMBER 31, 2022

Note 11 – Pledge Receivable and Fair Value Measurements (continued)

The table below presents information about unconditional promises to give at December 31, 2022 and 2021.

| | <u>2022</u> | <u>2021</u> |
|--|--------------|--------------|
| Promises Measured at Fair Value | | |
| Promised cash flows | \$ 1,026,693 | \$ 1,012,308 |
| Carrying amount | 1,026,693 | 1,012,308 |
| Fair value estimate | 1,026,693 | 1,012,308 |
| Measurement basis | Level 3 | Level 3 |
| Contribution income | 1,158,185 | 1,123,556 |
| Total changes included in the statement of activities | \$ 1,138,185 | \$ 1,126,446 |
| Promises Measured at Net Realizable Value | | |
| Carrying amount | \$ 340,204 | \$ 399,203 |
| Total carrying amount for unconditional promises to give | 1,366,897 | 1,411,511 |

The table below presents information about the changes in unconditional promises to give for the twelve months ended December 31, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Beginning balance | \$ 1,411,511 | \$ 915,686 |
| Collections | (1,182,799) | (630,621) |
| Contribution revenue | 1,158,185 | 1,123,556 |
| Management and general (write-offs) | (20,000) | 2,890 |
| Ending balance | <u>\$ 1,366,897</u> | <u>\$ 1,411,511</u> |

Note 12 – 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, 2022 is comprised of:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 3,200,243 |
| Accounts receivable | 67,373 |
| Contributions receivable | 1,366,897 |
| Investments | 554,283 |
| Total financial assets at December 31, 2022 | <u>5,188,796</u> |
| Perpetual endowments and accumulated earnings subject to appropriation beyond one year | 367,342 |
| Contribution payment due in more than one year | 340,204 |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 4,481,250</u> |

DOOR OF HOPE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 12 – 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 December 31, 2022, 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 13 – Subsequent Events

Subsequent events were evaluated through October 18, 2023, 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.