



Open Doors Kalamazoo

Financial Statements

For the Years Ended December 31, 2016 and 2015

SEBER TANS, PLC
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Open Doors Kalamazoo

We have audited the accompanying financial statements of Open Doors Kalamazoo (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' 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 Open Doors Kalamazoo as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
May 18, 2017

Open Doors Kalamazoo
Statements of Financial Position
December 31, 2016 and 2015

Assets	2016	2015
Current Assets		
Cash and cash equivalents	\$ 458,468	\$ 303,776
Investments	147,736	144,341
Accounts receivable	2,419	-
Grants receivable	51,027	25,000
Pledges receivable	-	40,000
Prepaid expenses	25,623	22,297
Total Current Assets	<u>685,273</u>	<u>535,414</u>
Property and Equipment		
Land	297,790	257,490
Buildings	1,949,220	1,720,825
Building improvements	850,900	797,929
Appliances	34,577	35,580
Furniture	6,361	6,361
Office equipment	13,985	13,985
	<u>3,152,833</u>	<u>2,832,170</u>
Accumulated depreciation	<u>(835,022)</u>	<u>(727,559)</u>
Net Property and Equipment	<u>2,317,811</u>	<u>2,104,611</u>
Other Assets		
Security deposits held	37,821	30,301
Beneficial interest at community foundation	11,022	9,890
	<u>48,843</u>	<u>40,191</u>
Total Assets	<u>\$ 3,051,927</u>	<u>\$ 2,680,216</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Liabilities and Net Assets	2016	2015
Current Liabilities		
Accounts payable	\$ 9,169	\$ 25,415
Accrued payroll and related liabilities	19,570	13,992
Total Current Liabilities	<u>28,739</u>	<u>39,407</u>
Residential Security Deposits	<u>36,634</u>	<u>28,582</u>
Total Liabilities	<u>65,373</u>	<u>67,989</u>
Net Assets		
Unrestricted	262,529	257,109
Unrestricted - Investment in Fixed Assets	2,317,811	2,104,611
Total Unrestricted Net Assets	<u>2,580,340</u>	<u>2,361,720</u>
Temporarily restricted		
Contributions - Scholarship Fund	1,508	1,308
Contributions - Security Deposit Loan Fund	689	3,465
Contributions - Building Rehab Fund	59,388	5,001
Contributions - Operational Fund	209,081	204,708
Contributions - Security Improvements Fund	506	1,192
Contributions - Rental Assistance Fund	18,000	-
Contributions - Humanities for Everyone Fund	3,505	4,000
Contributions - KCF Childcare Fund	203	1,929
Contributions - United Way	51,027	25,000
Contributions - Residence Community for Working People	42,800	-
Contributions - Duke Street Playground	19,507	3,904
Total Temporarily Restricted	<u>406,214</u>	<u>250,507</u>
Total Net Assets	<u>2,986,554</u>	<u>2,612,227</u>
Total Liabilities and Net Assets	<u>\$ 3,051,927</u>	<u>\$ 2,680,216</u>

Open Doors Kalamazoo
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Support and Revenue:		
Residential program fees	\$ 379,772	\$ 348,726
Contributions and grants		
United Way	40,375	35,752
Business	23,871	11,530
Government	7,168	8,370
Not-for-profit organizations	25,735	36,087
Individuals	167,735	177,724
Foundations	369,127	129,147
In-kind contributions	-	2,872
Special events income	56,334	55,537
Rental income	10,380	12,270
Investment income	4,568	5,953
Program income	7,833	2,628
Miscellaneous revenue	9,099	-
Gain (loss) on disposal of property and equipment	(4,154)	1,000
	<u>1,097,843</u>	<u>827,596</u>
Net assets released from restrictions	198,310	273,161
Total Unrestricted Support, Revenue, and Reclassifications	<u>1,296,153</u>	<u>1,100,757</u>
Expenses:		
Program services	859,347	854,933
Management and general	153,829	143,345
Fundraising	64,357	64,820
Total Expenses	<u>1,077,533</u>	<u>1,063,098</u>
Change in Unrestricted Net Assets	<u>218,620</u>	<u>37,659</u>
Temporarily Restricted Net Assets		
Contributions - Scholarship Fund	200	200
Contributions - Building Rehab Fund	59,387	-
Contributions - Operational Fund	164,000	155,000
Contributions - Rental Assistance Fund	18,000	-
Contributions - Humanities for Everyone Fund	3,000	4,000
Contributions - United Way	51,027	25,000
Contributions - Residence Community for Working People	42,800	-
Contributions - Duke Street Playground	15,603	3,904
Net assets released from restrictions	(198,310)	(273,161)
Change in Temporarily Restricted Net Assets	<u>155,707</u>	<u>(85,057)</u>
Change in Net Assets	374,327	(47,398)
Net Assets at Beginning of Year	<u>2,612,227</u>	<u>2,659,625</u>
Net Assets at End of Year	<u>\$ 2,986,554</u>	<u>\$ 2,612,227</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Open Doors Kalamazoo
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 389,615	\$ 60,877	\$ 36,526	\$ 487,018
Utilities	125,410	-	-	125,410
Repairs and maintenance	71,370	-	-	71,370
Employee benefits	37,386	5,842	3,505	46,733
Payroll taxes	35,135	5,490	3,294	43,919
Professional services	3,377	36,721	2,110	42,208
Specific Assistance	38,885	-	-	38,885
Insurance	29,697	2,235	-	31,932
Rental expense	8,220	4,110	4,110	16,440
Miscellaneous	-	13,599	-	13,599
Office supplies	3,686	6,070	1,084	10,840
Fundraising expense	-	-	10,080	10,080
Publication and production	2,117	4,410	2,293	8,820
Property tax	6,192	2,064	-	8,256
Professional Development	5,259	1,355	1,355	7,969
Program expense	3,495	-	-	3,495
Total expenses before depreciation	759,844	142,773	64,357	966,974
Depreciation	99,503	11,056	-	110,559
	<u>\$ 859,347</u>	<u>\$ 153,829</u>	<u>\$ 64,357</u>	<u>\$ 1,077,533</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Open Doors Kalamazoo
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 383,559	\$ 59,931	\$ 35,959	\$ 479,449
Utilities	132,140	-	-	132,140
Repairs and maintenance	61,638	-	-	61,638
Employee benefits	36,931	5,771	3,462	46,164
Specific Assistance	45,388	-	-	45,388
Payroll taxes	34,191	5,342	3,205	42,738
Professional services	2,885	31,378	1,803	36,066
Insurance	31,944	2,404	-	34,348
Rental expense	8,220	4,110	4,110	16,440
Fundraising expense	-	-	11,541	11,541
Office supplies	3,676	6,054	1,081	10,811
Miscellaneous	-	9,981	-	9,981
Publication and production	2,355	4,907	2,552	9,814
Property tax	5,825	1,942	-	7,767
Professional Development	4,299	1,107	1,107	6,513
Program expense	4,500	-	-	4,500
In-kind donations	2,872	-	-	2,872
Scholarships	750	-	-	750
Total expenses before depreciation	761,173	132,927	64,820	958,920
Depreciation	93,760	10,418	-	104,178
	<u>\$ 854,933</u>	<u>\$ 143,345</u>	<u>\$ 64,820</u>	<u>\$ 1,063,098</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Open Doors Kalamazoo
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	\$ 374,327	\$ (47,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,559	104,178
Loss (gain) on disposal of property and equipment	4,154	(1,000)
Net realized and unrealized gain on investment	(3,395)	(5,664)
Contribution received restricted for long-term purpose	(325,000)	-
Change in beneficial interest at community foundation	(1,132)	(9,890)
Change in:		
Grants receivable	(26,027)	(23,000)
Pledges receivable	40,000	137,000
Accounts receivable	(2,419)	-
Prepaid expenses	(3,326)	(2,206)
Security deposits held	(7,520)	(630)
Accounts payable	(16,246)	5,337
Accrued payroll and related liabilities	5,578	5,412
Residential security deposits	8,052	1,025
Net Cash Provided by Operating Activities	<u>157,605</u>	<u>163,164</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(327,913)</u>	<u>(110,348)</u>
Cash Flows from Financing Activities		
Contribution received restricted for long-term purpose	<u>325,000</u>	<u>-</u>
Change in Cash and Cash Equivalents	154,692	52,816
Cash and Cash Equivalents at Beginning of Year	<u>303,776</u>	<u>250,960</u>
Cash and Cash Equivalents at End of Year	<u>\$ 458,468</u>	<u>\$ 303,776</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE A – Summary of Significant Accounting Policies

Organization Purpose

Open Doors Kalamazoo (the Organization), a nonprofit organization, provides services to assist homeless adults gain employment and become self-supporting and provides affordable housing for low-wage workers. Revenues for operations are generated through donations from individuals, churches and organizations as well as income generated from fees charged to residents.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed restrictions and maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash in checking, savings and money market accounts as well as all highly liquid investments with maturity dates of three months or less to be cash equivalents. Cash and cash equivalents consist mainly of cash and money market deposits.

Investments

Investments in marketable securities with readily determined fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position. Investments are maintained with high-quality institutions, and the composition and maturities of investments are regularly monitored by management. The Organization adjusts the carrying value of the investments to fair value.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE A – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

Contributions, Grants and Unconditional Promises to Give

Contributions to the Organization are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to give consist primarily of amounts due from individual donors. Grants receivable consist of amounts awarded but not yet paid and due within the next year. All promises and grants receivable are expected to be received within the next year and management considers all to be fully collectible; accordingly, no allowance for doubtful accounts is recorded. Concentrations of credit risk with respect to promises to give and grants receivable exist because of the limited diversity of entities/donors from which the Organization has recorded receivables.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.

Long-Lived Assets

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Tax Status

The Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE A – Summary of Significant Accounting Policies (Continued)

Donated Services

The Organization records the value of donated goods when there is an objective basis available to measure their value. Donated materials are reflected as contributions in the accompanying financial statements at their estimated value.

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization with its program and supporting services. No amounts have been recognized in the accompanying financial statements because these volunteer efforts do not meet the criteria for recognition.

Advertising

All advertising costs are expensed in the period in which they are incurred. Advertising expenses totaled \$10,239 and \$1,648 during the years ended December 31, 2016 and 2015 respectively.

NOTE B – Financial Instruments and Fair Value Measurements

The Organization follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, the authoritative guidance for fair value measurements of investments that are recognized at fair value in the financial statements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs—Fair value is determined by using quoted prices for identical assets in active markets.

Level 2 Inputs—Fair value is determined by using other than quoted prices that are observable for the asset (e.g. quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

Level 3 Inputs—Fair value is determined by using inputs based on management assumptions that are not directly observable.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE B – Financial Instruments and Fair Value Measurements (Continued)

There have been no changes in methodologies used at December 31, 2016 and 2015. All investments are Level 1. The following table summarizes the valuation of the Organization's investments by the aforementioned pricing categories at December 31:

	2016	2015
Investments		
Money market funds	\$ 855	\$ 13
Mutual funds	146,049	144,328
Marketable securities	832	---
Total Investments	\$ 147,736	\$ 144,341

NOTE C – Beneficial Interest in Assets Held at Community Foundation

Under current accounting standards, Open Doors of Kalamazoo, as a beneficial organization, recognizes its rights to the assets held by the Kalamazoo Community Foundation (KCF), the recipient organization. The Organization has granted conditional variance power to KCF, and KCF has ultimate authority and control over the fund and the income derived therefrom. Upon request by the Organization, income from the fund representing an annual return may be distributed to the Organization or to another suggested beneficiary subject to the approval of KCF. The fund is charged an administrative fee annually. Distributions received from the fund are recorded as decreases in beneficial interest in assets held at community foundation. The fair value of these assets totaled \$11,022 and \$9,890 at December 31, 2016 and 2015, respectively.

Additionally, the Organization has been named as a beneficiary organization of a second endowment held at KCF. This endowment does not meet the requirements for the Organization to recognize its rights in a beneficial interest; accordingly, the assets are not recorded in the Statements of Financial Position. This endowment was established to act as a depository for gifts, conveyances, and other transfers received directly from donors intended to benefit the Organization. The fair value of these assets totaled approximately \$50,600 and \$45,000, at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Organization had approximately \$13,000 and \$11,000, respectively, in spendable earnings from this endowment fund that are held by KCF and are not recorded in the accompanying financial statements until a grant request is made by the Organization and approved by KCF.

NOTE D – Retirement Plan

The Organization maintains a defined contribution retirement plan for its full-time employees. The Organization, at the Board's discretion, can make a matching contribution. The Organization made no matching contributions for the years ended December 31, 2016 and 2015.

NOTE E – Cash Flows

The Organization did not pay any cash for interest or income taxes during the years ended December 31, 2016 and 2015.

**Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015**

NOTE F – Concentrations

Credit Risk

The Organization maintains its cash accounts in the state of Michigan. The total cash balances are insured by the FDIC up to \$250,000 per bank. The Organization has cash balances on deposit at December 31, 2016 that exceeded the balance insured by the FDIC by approximately \$45,000.

Market Value Risk

The Organization holds investments in a financial institution consisting primarily of mutual funds and other marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE G – Commitments and Contingencies

Certain grants require the fulfillment of certain conditions set forth in the grant agreement. Failure to fulfill the conditions may result in the return of the funds to the grantor. Although that is a possibility, management deems the contingency remote, since by accepting the gifts and their terms it has accommodated the objectives of the Organization to the provisions of the gift.

NOTE H – Subsequent Events

Management has evaluated subsequent events through May 18, 2017, the date on which the financial statements were available to be issued.