

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

July 26, 2019

To the Board of Directors of
Open Doors Kalamazoo

In planning and performing our audit of the financial statements of Open Doors Kalamazoo (the Organization) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Seber Tans, PLC

Seber Tans, PLC

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

July 26, 2019

To the Board of Directors of
Open Doors Kalamazoo

We have audited the financial statements of Open Doors Kalamazoo (the Organization) for the year ended December 31, 2018 and have issued our report thereon dated July 26, 2019. Professional standards require that we provide you with information about our audit and our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 5, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note A to the financial statements. Effective January 1, 2018, the Organization implemented Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the Organization has adjusted the presentation in its financial statements. The ASU has been applied retrospectively to all financial statement periods presented and had no material impact on the classification of net assets. Our opinion was not modified with respect to this accounting change. With the exception of implementing ASU 2016-14, no additional accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events

To the Board of Directors of
Open Doors Kalamazoo

affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management has established allocation methodologies that are used to classify expenses by their functional classification. We believe the allocation methodologies used by the Organization are appropriate.
- Management's estimate of the useful lives of depreciable assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management has established policies for estimating the allowance for uncollectible pledges. We believe the policies used by the Organization are appropriate.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected misstatements of the financial statements. Management has corrected all proposed adjustments to the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 26, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors.

To the Board of Directors of
Open Doors Kalamazoo

However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

As part of our audit, we assisted management in the preparation of the financial statements, including the related notes to the financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance. We considered management's and the Board of Director's competency to evaluate the completeness of financial statement disclosures.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Seber Tans, PLC

Seber Tans, PLC

Open Doors

Year End: December 31, 2018

AJE

Adjusting Journal Entries

Date: 1/1/2018 To 12/31/2018

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	12/31/2018	Unrestricted Net Assets	3100				132,085.51		
1	12/31/2018	Contributions - Scholarship Fnd	3150			604.00			
1	12/31/2018	Contributions - Security Dep	3225				439.00		
1	12/31/2018	Security Improvements	3226				371.83		
1	12/31/2018	Humanities for Everyone	3227				1,500.47		
1	12/31/2018	Childcare Restricted	3228			5,000.00			
1	12/31/2018	Time Restricted United way	3229				1,571.44		
1	12/31/2018	Vandomelen Restricted	3230				201.00		
1	12/31/2018	KCF Restricted	3231			252,000.00			
1	12/31/2018	Harold & Grace Restricted	3234				18,614.00		
1	12/31/2018	Harold & Grace Restricted	3234						
1	12/31/2018	Operational Fund	3245				102,820.75		
		To roll net assets.							
2	12/31/2018	Pledges Receivable	11200				5,740.41		
2	12/31/2018	Grants Receivable	11400				2,912.62		
2	12/31/2018	KCF Restricted Income	90008			8,653.03			
		To discount the grant receivable							



Open Doors Kalamazoo

Financial Statements

For the Years Ended December 31, 2018 and 2017

SEBER TANS, PLC
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and 2017, and the related statements of activities and changes in net assets, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note A to the financial statements, the Organization implemented Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the Organization has adjusted the presentation in these financial statements. The ASU has been applied retrospectively to all periods presented and had no material impact on the classification of net assets. Our opinion is not modified with respect to this matter.

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, 2018 and 2017, 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
July 26, 2019

Open Doors Kalamazoo
Statements of Financial Position
December 31, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash	\$ 603,139	\$ 411,143
Investments	187,990	198,981
Accounts receivable	4,545	6,885
Grants receivable	242,824	99,805
Prepaid expenses	29,240	25,221
Total Current Assets	<u>1,067,738</u>	<u>742,035</u>
Grants receivable, less current portion	<u>94,260</u>	<u>-</u>
Property and Equipment		
Land	297,790	297,790
Buildings	1,949,220	1,949,220
Building improvements	1,019,704	987,788
Appliances	34,577	34,577
Furniture	6,361	6,361
Office equipment	13,985	13,985
	<u>3,321,637</u>	<u>3,289,721</u>
Accumulated depreciation	<u>(1,082,430)</u>	<u>(957,632)</u>
Net Property and Equipment	<u>2,239,207</u>	<u>2,332,089</u>
Other Assets		
Cash restricted for long-term purposes	39,145	-
Security deposits held	42,301	36,858
Beneficial interest at community foundation	11,619	12,643
	<u>93,065</u>	<u>49,501</u>
Total Assets	<u>\$ 3,494,270</u>	<u>\$ 3,123,625</u>

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

Liabilities and Net Assets	2018	2017
Current Liabilities		
Accounts payable	\$ 45,540	\$ 21,775
Rent received in advance	1,500	2,970
Accrued payroll and related liabilities	17,488	31,718
Funds held for others	-	19,571
Total Current Liabilities	<u>64,528</u>	<u>76,034</u>
Residential Security Deposits	<u>33,800</u>	<u>31,534</u>
Total Liabilities	<u>98,328</u>	<u>107,568</u>
Net Assets		
Without donor restrictions	2,739,949	2,683,944
Donor restricted		
Contributions - Various Programs	8,394	5,416
Contributions - Operational Fund	238,462	201,283
Contributions - Rental Assistance Fund	17,386	18,614
Contributions - United Way	49,429	51,000
Contributions - Residence Community for Working People	303,177	55,800
Contributions - LISC	39,145	-
Total Donor Restricted	<u>655,993</u>	<u>332,113</u>
Total Net Assets	<u>3,395,942</u>	<u>3,016,057</u>
Total Liabilities and Net Assets	<u>\$ 3,494,270</u>	<u>\$ 3,123,625</u>

Open Doors Kalamazoo
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restrictions		
Support and Revenue:		
Residential program fees	\$ 427,977	\$ 431,923
Contributions and grants		
United Way	32,017	56,237
Business	8,691	13,568
Government	3,438	14,000
Not-for-profit organizations	35,877	32,400
Individuals	240,010	168,515
Foundations	170,275	99,406
In-kind contributions	-	2,800
Special events income	80,917	56,745
Rental income	5,190	10,380
Fiduciary income (loss)	(454)	1,056
Investment income (loss)	(11,817)	13,276
Program income	15,228	9,399
Miscellaneous revenue	1,131	650
Gain on disposal of property and equipment	1,400	-
	<u>1,009,880</u>	<u>910,355</u>
Net assets released from restrictions	245,683	343,926
Total Support, Revenue, and Releases	<u>1,255,563</u>	<u>1,254,281</u>
Expenses:		
Program services	978,716	943,542
Management and general	148,819	140,677
Fundraising	72,023	66,458
Total Expenses	<u>1,199,558</u>	<u>1,150,677</u>
Change in Net Assets Without Donor Restrictions	<u>56,005</u>	<u>103,604</u>
Donor Restricted Net Assets		
Contributions - Scholarship Fund	1,642	125
Contributions - Operational Fund	140,000	152,700
Contributions - Rental Assistance Fund	18,000	18,000
Contributions - LISC Capital Reserve	39,145	-
Contributions - United Way	49,429	51,000
Contributions - Residence Community for Working People	291,347	48,000
Contributions - Gilmore	30,000	-
Net assets released from restrictions	(245,683)	(343,926)
Change in Donor Restricted Net Assets	<u>323,880</u>	<u>(74,101)</u>
Change in Net Assets	379,885	29,503
Net Assets at Beginning of Year	<u>3,016,057</u>	<u>2,986,554</u>
Net Assets at End of Year	<u>\$ 3,395,942</u>	<u>\$ 3,016,057</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, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 394,126	\$ 61,582	\$ 36,949	\$ 492,657
Utilities	149,581	-	-	149,581
Repairs and maintenance	122,278	-	-	122,278
Employee benefits	34,754	5,430	3,258	43,442
Payroll taxes	35,842	5,600	3,360	44,802
Professional services	3,812	41,459	2,383	47,654
Miscellaneous property improvements	2,215	-	-	2,215
Insurance	32,715	2,462	-	35,177
Specific assistance	47,214	-	-	47,214
Property tax	7,316	-	-	7,316
Rental expense	7,535	3,768	3,768	15,071
Bad debt	12,719	-	-	12,719
Fundraising expense	-	-	17,455	17,455
Office supplies	3,668	6,041	1,079	10,788
Publication and production	2,563	5,340	2,777	10,680
Bank fees	3,663	3,663	-	7,326
Professional development	3,859	994	994	5,847
Program expense	1,500	-	-	1,500
Scholarships	1,038	-	-	1,038
Total expenses before depreciation	866,398	136,339	72,023	1,074,760
Depreciation	112,318	12,480	-	124,798
	\$ 978,716	\$ 148,819	\$ 72,023	\$ 1,199,558

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

Open Doors Kalamazoo
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 384,523	\$ 60,082	\$ 36,049	\$ 480,654
Utilities	135,959	-	-	135,959
Repairs and maintenance	84,156	-	-	84,156
Employee benefits	39,259	6,134	3,681	49,074
Payroll taxes	37,523	5,863	3,518	46,904
Professional services	3,312	36,016	2,070	41,398
Specific assistance	29,312	-	-	29,312
Insurance	29,631	2,230	-	31,861
Rental expense	8,220	4,110	4,110	16,440
Office supplies	4,075	6,712	1,199	11,986
Fundraising expense	-	-	13,527	13,527
Publication and production	1,657	3,453	1,795	6,905
Property tax	16,795	-	-	16,795
Professional development	1,978	509	509	2,996
Bank fees	3,307	3,307	-	6,614
Miscellaneous property improvements	34,384	-	-	34,384
Bad debt	14,592	-	-	14,592
In-kind donations	2,688	-	-	2,688
Scholarships	750	-	-	750
Program expense	1,073	-	-	1,073
Total expenses before depreciation	833,194	128,416	66,458	1,028,068
Depreciation	110,348	12,261	-	122,609
	\$ 943,542	\$ 140,677	\$ 66,458	\$ 1,150,677

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

**Open Doors Kalamazoo
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 379,885	\$ 29,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,798	122,609
Gain on disposal of property and equipment	(1,400)	-
Net realized and unrealized (gain) loss on investment	22,369	(12,655)
Contribution received restricted for long-term purpose	(50,000)	-
Change in beneficial interest at community foundation	1,024	(1,621)
Change in:		
Grants receivable	(237,279)	(48,778)
Accounts receivable	2,340	(4,466)
Prepaid expenses	(4,019)	402
Security deposits held	(5,443)	963
Accounts payable	23,765	12,606
Accrued payroll and related liabilities	(14,230)	12,148
Prepaid rent	(1,470)	2,970
Funds held for others	(19,571)	19,571
Residential security deposits	2,266	(5,100)
Net Cash Provided by Operating Activities	<u>223,035</u>	<u>128,152</u>
Cash Flows from Investing Activities		
Purchase of investments	(11,378)	(38,590)
Proceeds from sale of property and equipment	1,400	-
Purchase of property and equipment	(31,916)	(136,887)
Net Cash Used in Investing Activities	<u>(41,894)</u>	<u>(175,477)</u>
Cash Flows from Financing Activities		
Contribution received restricted for long-term purpose	<u>50,000</u>	<u>-</u>
Change in Cash	231,141	(47,325)
Cash at Beginning of Year	<u>411,143</u>	<u>458,468</u>
Cash at End of Year	<u>\$ 642,284</u>	<u>\$ 411,143</u>
Statement of Financial Position Presentation:		
Cash	\$ 603,139	\$ 411,143
Cash restricted for long-term purposes	<u>39,145</u>	<u>-</u>
Total Cash	<u>\$ 642,284</u>	<u>\$ 411,143</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, 2018 and 2017

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:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions and maintained permanently by the Organization or until the donor-imposed restriction expires either by actions of the Organization and/or the passage of time. Generally, donors of this type of asset permit the use of all or part of the income earned from the related investment for general or specific purposes.

Revenue Recognition

Residential Program Fees

Residential program fees are recognized when they are earned. Payments from program participants prior to the date the fees are earned are deferred and recorded as a liability: rent received in advance.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as donor-restricted net assets depending on the nature of the restrictions. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions.

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.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Utilities	Square footage
Repairs and maintenance	Square footage
Other costs	Time and effort

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.

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 equity and debt securities with readily determined fair values 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 annually.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE A – Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give and Grants Receivable

Promises to give consist primarily of amounts due from individual donors. Grants receivable consist of amounts awarded but not yet paid. Pledges and grants receivable over periods extending beyond twelve months that are material to the financial statements are discounted to net present value at a discount rate of 3%. Pledges and grants receivable are evaluated annually for impairment; any receivables deemed to be uncollectible are expensed. At December 31, 2018, management believes all pledges and grants receivable will be fully realized and no allowance has been recorded. All promises and grants receivable are expected to be received within two years.

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 over their economic useful lives.

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.

Advertising

All advertising costs are expensed in the period in which they are incurred. Advertising expenses totaled approximately \$4,900 and \$5,500 during the years ended December 31, 2018 and 2017, respectively.

Reclassification

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format.

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE A – Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle

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 update 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. The ASU has been applied retrospectively to all periods presented and had no material impact on the classification of net assets.

NOTE B – Liquidity and Availability of Assets

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	<u>2018</u>
Cash	\$ 603,139
Investments	187,990
Accounts receivable	4,545
Unrestricted grants receivable	<u>45,737</u>
Total available for operations	<u>\$ 841,411</u>

NOTE C – 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).

Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017

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

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

There have been no changes in methodologies used at December 31, 2018 and 2017. All investments are Level 1. The following table summarizes the valuation of the Organization's investments by the aforementioned pricing categories at December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash deposits	\$ 2,189	\$ 2,189		
Mutual Fund	<u>185,801</u>	<u>185,801</u>	-	-
Total available for operations	<u>\$ 187,990</u>	<u>\$ 187,990</u>	<u>\$ -</u>	<u>\$ -</u>

The following table summarizes the valuation of the Organization's financial instruments by the aforementioned pricing categories at December 31, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash deposits	\$ 3,149	\$ 3,149		
Mutual Fund	<u>195,832</u>	<u>195,832</u>	-	-
Total available for operations	<u>\$ 198,981</u>	<u>\$ 198,981</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE D – 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 \$11,619 and \$12,643 at December 31, 2018 and 2017, 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 \$50,000 at December 31, 2018 and 2017, respectively. The spendable earnings from this endowment fund are not recorded in the accompanying financial statements until a grant request is made by the Organization and approved by KCF.

**Open Doors Kalamazoo
Notes to Financial Statements
For the Years Ended December 31, 2018 and 2017**

NOTE E – Retirement Plan

The Organization maintained a defined contribution retirement plan for its eligible employees. The Organization, at the Board's discretion, could make a matching contribution. The Organization did not make matching contributions for the years ended December 31, 2018 and 2017. This plan was terminated January 1, 2019.

Effective January 1, 2019, the Organization established a Simple IRA plan. Full time employees may participate after one year of services. The Organization is obligated to match the first 3% of employee's deferred compensation contributed to the plan.

NOTE F – Cash Flows

The Organization did not pay any cash for interest or income taxes during the years ended December 31, 2018 and 2017.

NOTE G – 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, 2018, that exceeded the balance insured by the FDIC by approximately \$240,000.

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 H – 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 I – Subsequent Events

Management has evaluated subsequent events through July 26, 2019, the date on which the financial statements were available to be issued.