Open Door Outreach Center, Inc.

Financial Report

December 31, 2021

Contents

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Independent Auditor's Report

To the Board of Directors of
Open Door Outreach Center, Inc.

Opinion

We have audited the accompanying financial statements of Open Door Outreach Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 Open Door Outreach Center, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Open Door Outreach Center, Inc. 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 Open Door Outreach Center, Inc.'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, including omissions, 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 Open Door Outreach Center, Inc.'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 Open Door Outreach Center Inc.'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.

Zerbo Consulting Group, P.C.

July 13, 2022

Statement of Financial Position

December 31, 2021

Assets		
Current Assets		
Cash and cash equivalents	$	551,971
Total Current Assets		551,971
Investments		422
Property and Equipment - Net (Note 2)		916,844
Total Assets	**$**	**1,469,237**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	3,404
Accrued expenses		2,353
Credit cards		1,531
Current portion of long-term debt:		
Land contract - (Note 3)		12,828
Paycheck Protection Program Loan - (Note 5)		6,741
Total Current Liabilities		26,857
Land Contract - Less current portion - (Note 3)		446,650
Paycheck Protection Program Loan - Less current portion **-** (Note 5)		26,964
Total Liabilities		500,471
Net Assets		
Without donor restrictions		968,766
Total Net Assets		968,766
Total Liabilities and Net Assets	**$**	**1,469,237**

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Resale - net of direct costs	$ 211,933	$ -	$ 211,933
Donations and grants	206,318	-	206,318
In-kind - (Note 4)	547,468	-	547,468
Fundraising	63,564	-	63,564
Interest income	859	-	859
Other income	29,104	-	29,104
Net assets released from restrictions	64,583	(64,583)	-
Total Revenue	1,123,829	(64,583)	1,059,246
Operating Expenses			
Program activities	817,313	-	817,313
Management and general	36,503	-	36,503
Fundraising	112,414	-	112,414
Total Expenses	966,230	-	966,230
Change in Net Assets	157,599	(64,583)	93,016
Net Assets - Beginning of year	811,167	64,583	875,750
Net Assets - End of year	**$ 968,766**	**$ -**	**$ 968,766**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Activities	Management and General	Fundraising	Total
Advertising and promotion	$ 949	$ 210	$ 74	$ 1,233
Depreciation	8,548	1,842	9,113	19,503
Dues and subscriptions	503	252	84	839
Fundraising events	-		4,932	4,932
Information Technology	2,867	1,367	996	5,230
Insurance	2,455	927	1,251	4,633
Interest	16,313		16,312	32,625
Office	4,503	681	463	5,647
Payroll taxes	9,173	1,606	4,466	15,245
Professional fees	21,436	7,266	2,422	31,124
Food Pantry & Crisis Assistance	618,592			618,592
Property taxes	495		1,302	1,797
Repairs and maintenance	17,663	2,810	13,148	33,621
Salaries and benefits	97,294	15,581	43,846	156,721
Utilities	13,545	3,102	12,103	28,750
Other	2,977	859	1,902	5,738
Total Expenses	**$ 817,313**	**$ 36,503**	**$ 112,414**	**$ 966,230**

Statement of Cash Flows

	Year Ended December 31, 2021
Cash flows from Operating Activities:	
Change in net assets	$ 93,016
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	19,503
Forgiveness of Paycheck Protection Program Loan	(29,800)
Changes in operating assets and liabilities that provided (used) cash:	
Accrued expenses	(5,149)
Credit cards payable	582
Sales tax payable	(172)
Gift certificates payable	(1,350)
HSA liability	3,404
Net cash provided by operating activities	80,034
Cash flows from Investing Activities:	
Purchase of property and equipment	(116,735)
Proceeds from sales of investments	10,145
Net cash used in investing activities	(106,590)
Cash flows from Financing Activities:	
Payments on land contract	(12,033)
Proceeds from Paycheck Protection Program Loan	33,705
Net cash provided by financing activities	21,672
Net decrease in cash and cash equivalents	(4,884)
Cash and cash equivalents - Beginning of year	556,855
Cash and cash equivalents - End of year	**$ 551,971**
Supplementary Information	
Cash paid for interest	$ 32,625

Note 1 – Summary of Significant Accounting Policies

Organization

Open Door Outreach Center, Inc. (the Organization) was founded as a not-for-profit corporation pursuant to the provisions of Act 162 of the public Acts of 1982, in the State of Michigan. The Organization is tax exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code as an organization that is not a private foundation.

The Organization was developed for the purpose of providing an outreach facility celebrating the spirit of interfaith charity and recognizing the human dignity of all persons. The Organization's primary mission is to provide emergency services (food, clothing, and referral information) to families in need.

Open Door Outreach Center, Inc. may offer, as funding permits, other special assistance programs and supplemental services to improve the quality of life in the community.

Basis of Presentation

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 there by its donors: net assets without donor restrictions and net assets with donor restrictions.

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 and 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.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

Investments

Investments for which market quotations are readily available are valued at the quoted market price.

Property and Equipment

Property and equipment is carried at cost or, if donated, at fair market value at the time of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 3 to 27.5 years. The Organization's policy is to capitalize acquisitions of $2,500 or more.

Note 1 – Summary of Significant Accounting Policies (Continued)

Resale Store Revenue

Revenue is based on its resale store sales. The Organization has a resale store that provides a variety of items including but not limited to gently used clothing and shoes, furniture, and supplies which is open to the general public.

Contribution Revenue

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and are measured at fair value. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are recognized. Contributions with donor-imposed time or purpose restrictions are reported as support with donor restrictions. All other contributions are reported as support without donor restrictions.

Unconditional promises to give with payments due in future periods are assumed to have an implicit time restriction. Those restrictions are released as contributions when collected or when allocations or grants are made to recipient organizations based on those future collections. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give recognized as of December 31, 2021.

In-kind Revenue

The Organization recognizes and records contributions of donated non-cash assets at their fair values in the period received.

Functional Allocations of Expenses

Costs of providing the program, management and general, and fundraising services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Occupancy is allocated on the basis of square footage for the appropriate area of usage, depreciation is allocated on the basis of the program or support service that uses the fixed asset. Costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Covid-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

As a result of the COVID-19 outbreak, the Organization was eligible for Paycheck Protection Program Loans. See Note 5.

Note 1 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through July 13, 2022, which is the date the financial statements and related disclosures were available to be issued.

Note 2 – Property and Equipment

Property and equipment at December 31, 2021 is summarized as follows:

	2021
Buildings	$ 948,326
Furniture and fixtures	72,826
Equipment	8,403
Total Cost	1,029,555
Less accumulated depreciation	(112,711)
Net property and equipment	$ 916,844

Depreciation expense was $19,503 for the year ended December 31, 2021.

Note 3 – Land Contract

The Organization entered into a land contract on March 31, 2020 to purchase its new building. The sales price of the building was $600,000, of which $120,000 was paid to the seller prior to the execution of the contract. The Organization is obligated to pay the seller the remaining balance of $480,000 at an interest rate of 7% per year by May 1, 2026.

Future minimum land contract payments are as follows for the year ending December 31:

2022	$ 12,828
2023	13,755
2024	14,749
2025	15,816
2026	16,959
2027 and thereafter	385,371
Total	$ 459,478

Note 4 – In-kind Revenue

The Organization recognized the following non-cash assets as in-kind revenue during the year-ended December 31, 2021:

Food	$ 538,546
Seasonal and back-to-school items	8,922
	$ 547,468

Note 5 – Paycheck Protection Program Loans

First Paycheck Protection Program Loan

On April 17, 2020, the Organization was granted a loan (the “Loan”) from Flagstar Bank, FSB., in the aggregate amount of $29,800, pursuant to the Coronavirus Aid, Relief, and Economic Security Act’s (the “CARES Act) Paycheck Protection Program (the “PPP”), which was enacted on March 27, 2020.

The Loan, which was in the form of a Note dated April 17, 2020, matures on April 17, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 17, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act over a covered period of at least 8 weeks and up to 24 weeks. Based on the loan amount, without considering potential forgiveness granted in the future, monthly principal payments would be approximately $1,700 during the repayment period.

In April 2021, the Loan was forgiven by the Small Business Administration. The Loan is included within Other Income on the Statement of Activities and Changes in Net Assets as of December 31, 2021.

Second Paycheck Protection Program Loan

On February 11, 2021, the Organization was granted a loan (the “Loan”) from Flagstar Bank, FSB., in the aggregate amount of $33,705, pursuant to the Coronavirus Aid, Relief, and Economic Security Act’s (the “CARES Act) Paycheck Protection Program (the “PPP”), which was enacted on March 27, 2020. This Loan was the Organization’s second PPP Loan.

The Loan, which was in the form of a Note dated February 11, 2021, matures on February 11, 2026 and bears interest at a rate of 1.00% per annum. No payments are due on the Loan until the Small Business Administration (SBA) remits the forgiveness amount to Flagstar Bank (or when Flagstar Bank or the SBA issues a determination that there will be no forgiveness of the Loan) so long as the Organization applies for forgiveness of the Loan within 10 months of the last day of the Forgiveness Period.

Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, interest on other debt obligations, operating expenditures, property damage costs, supplier costs, and worker protection to be eligible for forgiveness of the Loan. The Organization used the entire Loan amount for qualifying expenses as described in the CARES Act over a covered period of up to 24 weeks.

The Loan is classified as debt on the Statement of Financial Position as of December 31, 2021.

On March 24, 2022, the Loan was forgiven by the Small Business Administration.

Note 6 – Liquidity and Availability of Financial Resources

The Organization has $551,971 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average approximately $175,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.