

Open Door Mission

**Financial Statements and
Independent Auditors' Report**

March 31, 2019 and 2018



Open Door Mission

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Open Door Mission
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of Open Door Mission which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 reasonable 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 Door Mission as of March 31, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* related to certain changes in the presentation and disclosure of not-for-profit financial statements. Our opinion is not modified with respect to this matter.

Lutz & Company, P.C.

June 25, 2019

Open Door Mission

Statements of Financial Position

March 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,525,560	\$ 920,640
Restricted Cash and Cash Equivalents	55,000	42,799
Receivables		
Contributions, Less Allowance for Doubtful Receivables of \$0 and \$43,525, Respectively	1,778	567,371
Other	3,862	36,774
Inventories	629,108	867,274
Prepaid Expenses	43,769	77,152
Other Current Assets	7,980	9,540
Total Current Assets	2,267,057	2,521,550
PROPERTY AND EQUIPMENT		
Land	1,046,246	1,046,246
Buildings and Improvements	7,179,690	7,179,690
Furniture and Equipment	887,719	814,815
Vehicles	637,157	636,154
Total Cost	9,750,812	9,676,905
Less Accumulated Depreciation	3,245,987	2,920,237
Net Book Value	6,504,825	6,756,668
OTHER ASSETS		
Accrued Interest Receivable, Related Party	818,618	713,117
Notes Receivable, Related Party	2,368,321	2,368,321
Advances to Affiliates	435,253	435,253
Deposits	3,030	3,030
Total Other Assets	3,625,222	3,519,721
TOTAL ASSETS	\$ 12,397,104	\$ 12,797,939

See Notes to Financial Statements.

Open Door Mission

Statements of Financial Position

March 31, 2019 and 2018

LIABILITIES	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 47,582	\$ 46,278
Current Maturities of Deferred Compensation	12,000	12,000
Accounts Payable	160,507	217,839
Accrued Compensation and Other Accrued Expenses	334,516	383,468
Total Current Liabilities	554,605	659,585
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	702,883	750,466
Deferred Compensation Payable, Less Current Maturities	9,231	21,231
Other Long-Term Liabilities	38,336	33,835
Total Long-Term Liabilities	750,450	805,532
Total Liabilities	1,305,055	1,465,117
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictons	11,011,038	11,250,875
With Donor Restrictions	81,011	81,947
Total Net Assets	11,092,049	11,332,822
TOTAL LIABILITIES AND NET ASSETS	\$ 12,397,104	\$ 12,797,939

See Notes to Financial Statements.

Open Door Mission

Statements of Activities and Changes in Net Assets

Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT			
Contributions	\$ 6,284,069	\$ 317,847	\$ 6,601,916
Non-Cash Contributions	22,173,954	-	22,173,954
Bequests and Memorials	421,299	-	421,299
Total Support	28,879,322	317,847	29,197,169
REVENUE			
Interest and Dividends	111,700	-	111,700
Net Realized Loss on Sale of Marketable Securities	(536)	-	(536)
Rental Income	467,272	-	467,272
Miscellaneous	218,191	-	218,191
Total Revenue	796,627	-	796,627
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	318,783	(318,783)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	29,994,732	(936)	29,993,796
EXPENSES			
Program Services			
Lydia House - Women and Children's Emergency Services	4,965,180	-	4,965,180
Lydia House - Women and Children's Recovery Services	1,376,749	-	1,376,749
Open Door Mission - Men's Emergency Services	4,591,314	-	4,591,314
Open Door Mission - Men's Recovery Services	2,045,403	-	2,045,403
Public Services	12,581,683	-	12,581,683
Public Education	102,584	-	102,584
Spiritual Support Ministries	21,630	-	21,630
Permanent Supportive Housing	1,870,117	-	1,870,117
Total Program Expenses	\$ 27,554,660	\$ -	\$ 27,554,660

See Notes to Financial Statements.

Open Door Mission

Statements of Activities and Changes in Net Assets

Year Ended March 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting Services			
General and Administrative	\$ 1,079,977	\$ -	\$ 1,079,977
Fundraising	1,599,932	-	1,599,932
Total Supporting Services Expenses	2,679,909	-	2,679,909
Total Expenses	30,234,569	-	30,234,569
Decrease in Net Assets	(239,837)	(936)	(240,773)
Net Assets, Beginning of Year	11,250,875	81,947	11,332,822
NET ASSETS, END OF YEAR	\$ 11,011,038	\$ 81,011	\$ 11,092,049

See Notes to Financial Statements.

Open Door Mission

Statements of Activities and Changes in Net Assets

Year Ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT			
Contributions	\$ 6,982,889	\$ 353,806	\$ 7,336,695
Non-Cash Contributions	21,470,955	-	21,470,955
Bequests and Memorials	281,624	-	281,624
Total Support	28,735,468	353,806	29,089,274
REVENUE			
Interest and Dividends	106,466	-	106,466
Net Realized Gain on Sale of Marketable Securities	47	-	47
Rental Income	431,543	-	431,543
Miscellaneous	262,314	-	262,314
Total Revenue	800,370	-	800,370
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	397,893	(397,893)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	29,933,731	(44,087)	29,889,644
EXPENSES			
Program Services			
Lydia House - Women and Children's Emergency Services	4,651,779	-	4,651,779
Lydia House - Women and Children's Recovery Services	2,220,749	-	2,220,749
Open Door Mission - Men's Emergency Services	4,286,312	-	4,286,312
Open Door Mission - Men's Recovery Services	2,335,834	-	2,335,834
Public Services	11,206,678	-	11,206,678
Public Education	123,840	-	123,840
Spiritual Support Ministries	22,100	-	22,100
Permanent Supportive Housing	1,864,143	-	1,864,143
Total Program Expenses	\$ 26,711,435	\$ -	\$ 26,711,435

See Notes to Financial Statements.

Open Door Mission

Statements of Activities and Changes in Net Assets

Year Ended March 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Supporting Services			
General and Administrative	\$ 1,262,740	\$ -	\$ 1,262,740
Fundraising	1,677,494	-	1,677,494
Total Supporting Services Expenses	2,940,234	-	2,940,234
Total Expenses	29,651,669	-	29,651,669
Increase (Decrease) in Net Assets	282,062	(44,087)	237,975
Net Assets, Beginning of Year	10,968,813	126,034	11,094,847
NET ASSETS, END OF YEAR	\$ 11,250,875	\$ 81,947	\$ 11,332,822

See Notes to Financial Statements.

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Statements of Cash Flows

Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (240,773)	\$ 237,975
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	353,997	373,336
Net Realized Loss (Gain) on Sale of Marketable Securities	536	(47)
Contributions of Marketable Securities	(57,714)	(101,939)
Increase in Accrued Interest Receivable, Related Party	(105,501)	(102,428)
Loss (Gain) on Sale of Property and Equipment	(1,500)	6,617
Decrease (Increase) in Current Assets:		
Contributions Receivable	565,593	(322,009)
Other Receivables	32,912	(12,241)
Inventories	238,166	(89,529)
Prepaid Expenses	33,383	(101)
Other Current Assets	1,560	7,452
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(57,332)	(16,273)
Accrued Compensation and Other Accrued Expenses	(48,952)	26,813
Other Long-Term Liabilities	4,501	(380)
Net Cash Provided by Operating Activities	<u>718,876</u>	<u>7,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Marketable Securities	57,178	101,986
Proceeds from Sale of Property and Equipment	1,500	13,952
Purchase of Property and Equipment	(102,154)	(306,828)
Decrease (Increase) in Restricted Cash and Cash Equivalents	(12,201)	10,636
Decrease in Deposits	-	15,236
Net Cash Used in Investing Activities	<u>(55,677)</u>	<u>(165,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-Term Debt	(46,279)	(134,123)
Payments on Deferred Compensation	(12,000)	(12,000)
Net Cash Used in Financing Activities	<u>(58,279)</u>	<u>(146,123)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	604,920	(303,895)
Cash and Cash Equivalents, Beginning of Year	920,640	1,224,535
Cash and Cash Equivalents, End of Year	<u>\$ 1,525,560</u>	<u>\$ 920,640</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 19,299	\$ 42,741

See Notes to Financial Statements.

Open Door Mission

Statements of Functional Expenses – Program Services

Year Ended March 31, 2019

	Overnight Guests				Public Services	Public Education	Spiritual Support Ministries	Permanent Supportive Housing	Total
	Lydia House- Women and Children's Emergency Services	Lydia House- Women and Children's Recovery Services	Open Door Mission- Men's Emergency Services	Open Door Mission- Men's Recovery Services					
Direct Expenses	\$ 4,001,126	\$ 670,814	\$ 3,502,244	\$ 1,576,132	\$ 8,852,766	\$ 102,584	\$ 21,630	\$ 1,291,037	\$20,018,333
Salaries, Payroll Taxes and Related Benefits	507,001	520,956	623,346	284,194	653,686	-	-	219,225	2,808,408
Telephone	1,532	2,201	4,643	1,561	7,530	-	-	6,304	23,771
Occupancy, Including Depreciation	223,095	138,967	237,863	90,241	372,302	-	-	272,398	1,334,866
Printing, Postage and Office Supplies	3,703	4,014	4,307	2,142	2,702	-	-	3,632	20,500
Dues and Subscriptions	79	109	-	79	79	-	-	-	346
Travel and Conferences	249	82	251	900	15	-	-	102	1,599
Technology Support	3,328	2,232	2,192	3,288	5,138	-	-	2,358	18,536
Food and Kitchen	220,595	32,377	194,268	86,015	2,639,065	-	-	72,043	3,244,363
Vehicle Expenses	4,472	4,997	22,200	851	48,400	-	-	3,018	83,938
Total	\$ 4,965,180	\$ 1,376,749	\$ 4,591,314	\$ 2,045,403	\$ 12,581,683	\$ 102,584	\$ 21,630	\$ 1,870,117	\$27,554,660

See Notes to Financial Statements.

Open Door Mission

Statements of Functional Expenses – Program Services

Year Ended March 31, 2018

	Overnight Guests				Public Services	Public Education	Spiritual Support Ministries	Permanent Supportive Housing	Total
	Lydia House- Women and Children's Emergency Services	Lydia House- Women and Children's Recovery Services	Open Door Mission- Men's Emergency Services	Open Door Mission- Men's Recovery Services					
Direct Expenses	\$ 3,460,523	\$ 1,430,173	\$ 2,884,531	\$ 1,718,217	\$ 7,926,875	\$ 123,840	\$ 22,100	\$ 1,091,181	\$18,657,440
Salaries, Payroll Taxes and Related Benefits	491,275	443,408	760,569	285,019	722,219	-	-	301,634	3,004,124
Telephone	1,071	1,847	4,626	1,524	6,817	-	-	6,858	22,743
Occupancy, Including Depreciation	248,391	163,312	243,026	111,752	392,588	-	-	317,332	1,476,401
Printing, Postage and Office Supplies	3,980	3,508	5,925	2,350	4,531	-	-	3,734	24,028
Travel and Conferences	612	639	1,361	412	1,816	-	-	738	5,578
Technology Support	2,787	1,858	1,858	2,787	3,662	-	-	1,858	14,810
Food and Kitchen	440,947	174,203	368,997	213,217	2,096,976	-	-	139,978	3,434,318
Vehicle Expenses	2,193	1,801	15,419	556	51,194	-	-	830	71,993
Total	\$ 4,651,779	\$ 2,220,749	\$ 4,286,312	\$ 2,335,834	\$ 11,206,678	\$ 123,840	\$ 22,100	\$ 1,864,143	\$26,711,435

See Notes to Financial Statements.

Open Door Mission

Statements of Functional Expenses – Supporting Services

Year Ended March 31, 2019

	General and Administrative	Fundraising	Total
General and Administrative	\$ 40,303	\$ -	\$ 40,303
Fundraising	-	956,061	956,061
Bank Charges	61,259	-	61,259
Salaries, Payroll Taxes, and Related Benefits	783,584	590,750	1,374,334
Interest Expense	19,299	-	19,299
Telephone	6,989	2,619	9,608
Occupancy, Including Depreciation	83,573	20,085	103,658
Printing, Postage and Office Supplies	16,131	19,742	35,873
Professional Fees	43,308	-	43,308
Dues and Subscriptions	14,026	915	14,941
Travel and Conferences	11,031	2,408	13,439
Technology Support	5,344	2,046	7,390
Vehicle Expenses	20,488	5,306	25,794
Miscellaneous	(25,358)	-	(25,358)
Total	\$ 1,079,977	\$ 1,599,932	\$ 2,679,909

See Notes to Financial Statements.

Open Door Mission

Statements of Functional Expenses – Supporting Services

Year Ended March 31, 2018

	General and Administrative	Fundraising	Total
General and Administrative	\$ 47,913	\$ -	\$ 47,913
Fundraising	-	903,412	903,412
Bank Charges	58,710	-	58,710
Salaries, Payroll Taxes, and Related Benefits	853,822	718,365	1,572,187
Interest Expense	42,741	-	42,741
Telephone	8,316	3,520	11,836
Occupancy, Including Depreciation	91,192	22,480	113,672
Printing, Postage and Office Supplies	17,484	20,169	37,653
Professional Fees	53,437	-	53,437
Dues and Subscriptions	14,004	2,024	16,028
Travel and Conferences	16,180	1,004	17,184
Technology Support	2,494	1,643	4,137
Vehicle Expenses	26,632	4,877	31,509
Miscellaneous	29,815	-	29,815
Total	\$ 1,262,740	\$ 1,677,494	\$ 2,940,234

See Notes to Financial Statements.

Open Door Mission

Notes to Financial Statements

March 31, 2019 and 2018

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Organization and Nature of Activities

Open Door Mission (the Organization) was incorporated on February 26, 1955 as Rescue Mission, Inc. d/b/a Open Door Mission, a Nebraska nonprofit corporation. In 2015, the Organization's name changed to Open Door Mission, a Nebraska religious nonprofit corporation. It operates as the Open Door Mission, Lydia House, and Timberlake Outreach Center from its locations in Omaha and Elkhorn, Nebraska and Council Bluffs, Iowa. The Organization is a human services organization whose mission is to provide for the needs of the homeless or needy persons with shelter, food and clothing and spiritual, physical and emotional help. The Organization provides an opportunity for guests to develop Christian lifestyles and become productive individuals in society.

Financial Statement Presentation

The Organization has adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This adoption resulted in reducing the net asset classification from three net asset classes to two net asset classes, providing qualitative disclosures about methods used to allocate costs among program and support functions, and adding additional qualitative disclosures regarding liquidity and cash management. The Organization applied this ASU retrospectively to all periods presented.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and support, 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 that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Net assets restricted by the actions of the Organization and/or the passage of time are temporary in nature. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Other donor-imposed stipulations are permanent in nature and require that principal be maintained in perpetuity by the Organization. At March 31, 2019 and 2018, the Organization had no net assets with donor restrictions permanent in nature.

Open Door Mission

Notes to Financial Statements

March 31, 2019 and 2018

Use of 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 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.

Cash and Cash Equivalents

Cash equivalents consist of temporary cash investments in various interest bearing accounts. For purposes of the statements of cash flows, the Organization includes these amounts in cash and cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for the purposes of the statements of cash flows.

Restricted Cash and Cash Equivalents

The Organization maintains separate cash accounts for deposits from donors that are restricted for certain purposes.

Financial Instruments Subject to Credit Risk

The Organization has two types of financial instruments subject to credit risk. The Organization maintains bank accounts in which the balances sometimes exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At March 31, 2019 and 2018, there were cash balances in excess of FDIC limits at the bank of approximately \$1,153,000 and \$398,000, respectively.

Receivables also subject the Organization to credit risk.

Receivables

Contributions receivables are carried at original pledged amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful receivables by regularly evaluating individual donor receivables and considering a donor's financial condition, collection history, and current economic conditions. Contributions receivables are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received. A contribution receivable is considered to be past due if any portion of the receivable balance is outstanding for more than twelve months. At March 31, 2019 and 2018, the Organization has recorded an allowance for doubtful receivables of \$0 and \$43,525, respectively.

Inventories

Inventories consist of donated items and are stated at fair value at the date of donation.

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Notes to Financial Statements

March 31, 2019 and 2018

Property and Equipment

Property and equipment are recorded at cost or, in the case of donated property and equipment, at estimated fair value when received. Donations of property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are expensed as incurred. The costs of assets disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property and equipment disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	3-40
Furniture and Equipment	3-10
Vehicles	3-5

Contributions

Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period the pledge is received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions unless the restrictions expire in the fiscal year in which the contributions are recognized, in which case, the contributions are reported as increases in net assets without donor restrictions. If the restriction does not expire in the fiscal year in which the contributions are recognized, amounts are released from net assets with donor restrictions and reclassified to net assets without donor restriction when the restriction expires.

Contributions of services are recorded at estimated fair value of the services provided when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Contributions of donated non-cash assets are recorded at estimated fair value when received.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Costs are allocated to each functional expense category based on the specific departments benefitted by the expense. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, food and kitchen and others. Occupancy expenses are allocated to the different functional expense categories based on the square footage within which each program operates. Food and kitchen expenses are allocated based on the number of meals each program serves. Salaries and related expenses for certain individuals

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Notes to Financial Statements

March 31, 2019 and 2018

performing tasks in multiple functional expense categories are allocated based on estimates of time and effort.

Income Taxes

The Organization has qualified under Internal Revenue Code Section 501(c)(3) for Federal income tax purposes as a tax exempt organization other than a private foundation.

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10 related to uncertain income tax positions. Management believes there are no uncertain income tax positions taken which would require the Organization to reflect a liability for unrecognized tax benefits on the accompanying statements of financial position.

The Organization is no longer subject to income tax examinations by Federal, state, or local tax authorities for years before March 31, 2016.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through June 25, 2019, noting no items requiring disclosure.

2. Liquidity and Cash Management

The following reflects the Organization's financial assets at March 31, 2019 reduced by amounts not available for general use within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions.

Financial Assets at March 31, 2019	\$ 2,267,057
Less Amounts Unavailable for General Expenditures Within One Year Due to:	
Restricted by Donor with Time or Purpose Restrictions	(81,011)
Other Current Assets	(7,980)
Inventories	(629,108)
Prepaid Expenses	(43,769)
Cash Held as Collateral for Revolving Line of Credit	(538,375)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 966,814</u>

The Organization manages its liquid resources by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in commercial money market instruments. In the event of unanticipated liabilities, the Organization could draw upon its \$500,000 and \$1,000,000 lines of credit (see Note 5). In order to receive a more preferential interest rate on the \$1,000,000 line of credit, the Organization agreed

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Notes to Financial Statements

March 31, 2019 and 2018

to maintain a money market account with the bank as additional collateral for the loan. In the event of unanticipated liabilities, the Organization could utilize these funds.

3. Contributions Receivable

Contributions receivable, net, at March 31, are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Contributions Receivable	\$ 1,778	\$ 567,371
Less Current Portion	<u>1,778</u>	<u>567,371</u>
Long-Term Contributions Receivable, Less Current Portion	<u>\$ -</u>	<u>\$ -</u>

4. Money Market Funds and Marketable Securities

The Organization is invested in money market funds only. The Organization accepts donations of marketable securities which are liquidated shortly after the donation is received with the proceeds invested in money market funds. These transactions result in realized gains (losses) on sales of marketable securities.

The following schedule summarizes the investment return on marketable securities and money market funds for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 6,199	\$ 4,038
Net Realized Gain (Loss) on Sales	<u>(536)</u>	<u>47</u>
	<u>\$ 5,663</u>	<u>\$ 4,085</u>

5. Financing Arrangements

The Organization's financing arrangements consist of \$500,000 and \$1,000,000 revolving lines of credit with a bank. These lines are secured by substantially all assets of the Organization. The lines of credit bear interest at the bank's money market account rate plus 2.50% (the bank's money market account rate was 1.00% at March 31, 2019), subject to a floor of 3.50%, and at the Wall Street Journal Prime rate plus one percent (6.50%), respectively, and are due September 1, 2019. As of March 31, 2019 and 2018, there were no balances outstanding on these lines of credit.

6. Long-Term Debt

Long-term debt at March 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Installment note payable to a bank, payable in monthly installments ranging from \$6,685 to \$6,754, including interest at 4.35%. This note was paid in full during the year ended March 31, 2019.	\$ -	\$ 2,924

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Notes to Financial Statements

March 31, 2019 and 2018

Subsidy payable to a bank with a retention period of 15 years. If the Organization maintains a minimum of 42% occupancy with disabled individuals over a 15 year period in the Garland Thompson Men's Center, the subsidy will be forgiven. The disabled individuals must also meet certain low income thresholds.

\$ 450,000 \$ 450,000

Installment note payable to a corporation owned by a related party/board member, payable in monthly installments from \$3,000 to \$3,200, including interest at 4%, through March 2022 at which time the remaining unpaid balance becomes due. The note is collateralized by the deed of trust for certain real property and was utilized to acquire a building from the related party/board member.

106,687 137,743

Installment note payable to a bank, payable in monthly installments of \$1,745, including interest at 4.25%, through December 2021 at which time the remaining unpaid balance becomes due, collateralized by the mortgage and deed of trust for certain real properties and the security agreement listing all business assets of the Organization.

193,778 206,077

Total Long-Term Debt

750,465 796,744

Less Current Portion

47,582 46,278

Long-Term Debt, Less Current Portion

\$ 702,883 \$ 750,466

The aggregate maturities of long-term debt for years ending after March 31, 2019 are as follows:

Year Ending March 31,

2020	\$ 47,582
2021	48,999
2022	203,884
Thereafter	450,000
	<u>\$ 750,465</u>

7. Deferred Compensation Payable

The Organization has a deferred compensation agreement with a current employee of the Organization. The current employee will be paid \$60,000 in five equal installments of \$12,000 starting in January 2016. The present value of the deferred compensation arrangement was \$21,231 and \$33,231 at March 31, 2019 and 2018, respectively.

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Notes to Financial Statements

March 31, 2019 and 2018

8. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions that are temporary in nature at March 31 consists of the following:

	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
Beat the Heat Program	\$ 14,949	\$ 3,173	\$ (8,837)	\$ 9,285
Health Insurance Trust Account	42,798	302,684	(290,482)	55,000
Lydia House Building Construction by HTH of the Metro, LLC (in Other Current Assets)	9,540	-	(1,560)	7,980
Lydia House Diaper Drive and Baby Formula	6,734	8,890	(15,439)	185
Winter Wear	412	-	(412)	-
2911 Program	4,615	-	(500)	4,115
Dental Equipment	1,000	3,100	(53)	4,047
Mustard Seed Program	1,899	-	(1,500)	399
	<u>\$ 81,947</u>	<u>\$ 317,847</u>	<u>\$ (318,783)</u>	<u>\$ 81,011</u>

	<u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>2018</u>
Beat the Heat Program	\$ 16,923	\$ 785	\$ (2,759)	\$ 14,949
Health Insurance Trust Account	49,277	330,007	(336,486)	42,798
Lydia House Building Construction by HTH of the Metro, LLC (in Other Current Assets)	16,992	-	(7,452)	9,540
Lydia House Diaper Drive and Baby Formula	27,999	8,947	(30,212)	6,734
Medical Supplies for GTMC Medical Center	2,479	-	(2,479)	-
Rebuilding Lives Campaign and GTMC Construction	49	-	(49)	-
Snack Pack Program	3,914	-	(3,914)	-
Winter Wear	3,402	-	(2,990)	412
Linens, Clothes, Coats	890	307	(1,197)	-
2911 Program	-	7,760	(3,145)	4,615
Dental Equipment	-	1,000	-	1,000
Mustard Seed Program	-	5,000	(3,101)	1,899
	<u>\$ 121,925</u>	<u>\$ 353,806</u>	<u>\$ (393,784)</u>	<u>\$ 81,947</u>

9. Retirement Plan

The Organization has a safe harbor 401(k) plan that provides for the Organization to contribute dollar for dollar up to 4% of each participant's eligible compensation. Eligible employees were those who have over a year of service (worked more than 1,000 hours a year) and have attained the age of twenty and one half. The participants are allowed to make pre-tax and Roth after-tax deferred contributions, through salary reduction, to the plan.

Contributions of \$139,551 and \$133,716 were made for the years ended March 31, 2019 and 2018, respectively.

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Notes to Financial Statements

March 31, 2019 and 2018

10. Related Parties

The Organization is related to Help The Homeless Inc., (HTH) a Nebraska non-profit corporation qualified under the Internal Revenue Code as a 501(c)(3). The HTH Board of Directors is the same as the Organization. HTH has formed a Nebraska Limited Liability Company, Help The Homeless of the Metro Limited Liability Company (HTH LLC), in which HTH serves as the Managing Member and currently has a minority equity position.

In fiscal year 2019, the Organization completed the ninth year of a 17-year lease agreement with HTH LLC to operate its building as a qualified low income housing project. The lease agreement requires the Organization to pay normal rent and all operating expenses and maintenance costs for the building during the lease period. The Organization has guaranteed all HTH obligations and operates the property as a qualified low income housing project.

As of March 31, 2019 and 2018, the Organization holds an unsecured promissory note receivable in the amount of \$2,368,321 from HTH LLC for cash advances provided in constructing the Lydia House. This note calls for interest-only payments at 3% compounded through April 2027 at which time all unpaid principal and interest is due.

During fiscal years 2019 and 2018, as Managing Member of HTH LLC, HTH has operated the Lydia House building as “qualified low income housing project” in adherence with the rules and regulation set forth in Section 42 of the Internal Revenue Code.

HTH formed a Nebraska Limited Liability Company, Rebuilding Lives, L.L.C. (RL LLC) in which HTH serves as the Managing Member and currently has a minority equity position. On July 29, 2011, the Organization loaned HTH \$100,000, which is memorialized by an unsecured promissory note for said amount calling for interest-only payments at 3% compounded through July 29, 2028, at which time all unpaid principal and interest is due. As Managing Member of RL LLC, HTH agreed to operate its building as a “qualified low income housing project” in adherence with the rules and regulations set forth in Section 42 of the Internal Revenue Code for a period of no less than 15 years. The Organization had advances due from RL LLC of \$100,000 as of March 31, 2019 and 2018.

The Organization entered into a 17-year lease agreement with RL, LLC to operate the building as a qualified low income housing project. The lease agreement requires the Organization to pay normal rent and all operating expenses and maintenance costs for the building during the lease period. The Organization has guaranteed all HTH obligations and all the obligations of operating it as a qualified low income housing project.

Help the Homeless, Inc. has formed a Nebraska Limited Liability Company, GTMC, LLC, in which HTH serves as the Managing Member and currently has a minority equity position. GTMC, LLC constructed a three story building that provides 96 single resident occupant units for transitional and permanent supportive housing for men. The total construction cost at completion was \$5,847,541 as of March 31, 2013. The Organization has made advances of \$335,253 as of March 31, 2019 and 2018 to GTMC, LLC. These advances are accruing interest at 3% compounded through to repayment.

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In fiscal year 2013, the Organization entered into a 17-year lease agreement with GTMC, LLC to operate the building as a qualified low income housing project. The lease agreement requires the Organization to pay normal rent and all operating expenses and maintenance costs for the building during the lease period.

In fiscal year 2014, the Organization purchased a \$250,000 property from a corporation owned by a related party/board member. A \$245,000 promissory note payable to the corporation owned by a related party/board member was entered into to finance the purchase (see Note 6).

11. Commitments and Contingencies

Lease Obligations

The Organization has entered into various operating leases for office equipment and certain premises used by the Organization. Certain operating leases in place at March 31, 2019 are with related parties HTH LLC, RL LLC, and GTMC, LLC. The future minimum lease payments under these noncancelable operating leases as of March 31, 2019 are as follows:

<u>Year Ending March 31,</u>	
2020	\$ 394,967
2021	303,846
2022	489,397
2023	503,861
2024	518,755
Thereafter	<u>2,442,951</u>
	<u>\$ 4,653,777</u>

Lease expense under these operating leases was approximately \$443,000 and \$557,000 for the years ended March 31, 2019 and 2018, respectively.

Employment Agreements

The Organization has entered into employment agreements with two members of management. These agreements provide for minimum annual salaries with adjustments available to reflect changes in the cost of living. In addition, they provide for bonus payments and the terms of future termination of employment.

Self-Insured Health Insurance

The Organization is self-insured under its employee group health insurance program. In connection therewith, excess loss insurance coverage is maintained by the Organization.

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