

THE OPEN DOOR
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**THE OPEN DOOR
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Open Door
Eagan, Minnesota

We have audited the accompanying financial statements of The Open Door (a nonprofit organization), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Open Door

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Open Door 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 24, 2019

**THE OPEN DOOR
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 212,015	\$ 142,929
Accounts Receivable	15,979	25,672
Inventory	68,570	51,182
Prepaid Expenses	15,782	9,987
Total Current Assets	312,346	229,770
LONG-TERM ASSETS		
Property, Plant, and Equipment, Net	90,134	90,009
Investments	2,435	2,974
Total Long-Term Assets	92,569	92,983
Total Assets	\$ 404,915	\$ 322,753
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,954	\$ 14,443
Accrued Liabilities	26,651	31,347
Deferred Rent Current	6,511	4,035
Total Current Liabilities	44,116	49,825
LONG-TERM LIABILITIES		
Deferred Rent Long-Term	18,239	24,589
Total Long-Term Liabilities	18,239	24,589
Total Liabilities	62,355	74,414
NET ASSETS		
Without Donor Restrictions	341,617	232,929
With Donor Restrictions	943	15,410
Total Net Assets	342,560	248,339
Total Liabilities and Net Assets	\$ 404,915	\$ 322,753

See accompanying Notes to Financial Statements.

**THE OPEN DOOR
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program Services	Management and General	Fundraising	Total Functional Expenses	Program Services	Management and General	Fundraising	Total Functional Expenses
EXPENSES								
In-Kind Food Assistance	\$ 1,913,801	\$ -	\$ 890	\$ 1,914,691	\$ 1,652,719	\$ -	\$ -	\$ 1,652,719
Compensation	252,482	106,363	80,110	438,955	328,629	93,636	58,644	480,909
Payroll Taxes	23,217	10,080	7,367	40,664	27,096	7,720	4,835	39,651
IRA Plan Contributions	4,759	2,066	1,510	8,335	4,173	1,189	745	6,107
Occupancy	134,910	20,506	-	155,416	116,748	27,824	1,453	146,025
Office Expenses	28,907	31,026	6,654	66,587	35,971	19,428	12,816	68,215
Depreciation	22,978	3,177	-	26,155	39,960	1,471	-	41,431
Insurance	2,093	16,578	-	18,671	23,934	-	-	23,934
Travel	10,124	641	-	10,765	11,397	265	-	11,662
Garden to Table	5,230	-	-	5,230	8,729	-	-	8,729
Technology	3,330	3,564	-	6,894	7,734	8,109	493	16,336
Conferences, Conventions, and Meetings	285	125	-	410	5,267	233	334	5,834
Program Outreach/Recognition	1,250	1,875	250	3,375	3,007	5,232	2,122	10,361
Accounting Fees	-	9,796	-	9,796	-	9,536	-	9,536
Legal Fees	-	2,075	-	2,075	-	60	-	60
Miscellaneous	602	9,038	3,064	12,704	322	8,354	2,703	11,379
Other Professional Fees	3,250	3,813	400	7,463	-	12,548	-	12,548
Interest	-	-	-	-	-	1,211	-	1,211
Total Expenses	\$ 2,407,218	\$ 220,723	\$ 100,245	\$ 2,728,186	\$ 2,265,686	\$ 196,816	\$ 84,145	\$ 2,546,647

See accompanying Notes to Financial Statements.

**THE OPEN DOOR
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 94,221	\$ (158,298)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	26,155	41,431
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	9,693	5,469
Inventory	(17,388)	(2,190)
Prepaid Expenses and Other Assets	(5,795)	(1,775)
Accounts Payable	(3,489)	1,930
Accrued Expenses and Other Liabilities	(4,696)	(4,201)
Deferred Rent	(3,874)	(1,152)
Net Cash Provided (Used) by Operating Activities	<u>94,827</u>	<u>(118,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(26,280)	(23,862)
Donated Investments	539	(5)
Net Cash Used by Investing Activities	<u>(25,741)</u>	<u>(23,867)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Note Payable	<u>-</u>	<u>(31,856)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69,086	(174,509)
Cash and Cash Equivalents - Beginning of Year	<u>142,929</u>	<u>317,438</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 212,015</u>	<u>\$ 142,929</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Purchase of Equipment Included in Accounts Payable	<u>\$ -</u>	<u>\$ 4,131</u>
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 1,211</u>

See accompanying Notes to Financial Statements.

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Open Door (the Organization) is a hunger relief organization dedicated to ending local hunger through access to healthy food. Through its collective programs, The Open Door serves nearly 5,000 Dakota County residents each month, and distributes over one million pounds of food annually, more than half of which is fresh and/or perishable. Clients are able to access healthy food choices through a fixed-site food pantry in Eagan, multiple Mobile Pantry sites, the Mobile Lunchbox, and the Garden to Table program.

Financial Statement Presentation

Net assets, support, revenue, expenses, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Organization. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no perpetual restricted net assets as of December 31, 2018 and 2017.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivables

Accounts receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. Accordingly, the Organization accounts for uncollectible accounts by the reserve method, which is based on management's judgment considering historical information. At December 31, 2018 and 2017, the allowance was \$-0-.

Inventory

Inventory consists of food shelf inventory. Food shelf inventory represents perishable and nonperishable food and other consumer products on hand at year-end. Items have either been purchased by The Open Door or donated. At December 31, 2018 and 2017, items are valued at an average cost per pound of \$1.22 and \$1.30, respectively.

Pounds of food distributed to clients from the food shelf for the years ended December 31, 2018 and 2017 totaled \$1,451,058 and \$1,287,401 and in-kind contributions of food totaled \$1,854,253 and \$1,548,070, respectively.

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost or fair value if contributed. Individual items costing more than \$1,500 are capitalized. Depreciation expense is computed using the straight-line method over estimated useful lives.

Investments

Investments consist of equity securities. Investment income or loss is reported as net assets without donor restrictions. The cost of securities sold is based on the specific identification method.

Contributions

Grants and contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recorded when the condition has been satisfied.

Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions only if the restrictions are satisfied during the year in which the contributions were recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are released to net assets without donor restrictions.

Revenue Recognition

Revenue related to events is recognized at the time the events take place or the services are performed. Revenue that is received for future periods is recorded as deferred revenue and recognized in the periods to which the service relates.

In-Kind Donations

Contributions of noncash assets (materials, equipment, and services) are recorded at their fair values in the period received. During the years ended December 31, 2018 and 2017, the Organization received donated food inventory of \$1,854,253 and \$1,548,070, respectively.

Allocation of Expenses

The Organization's costs of providing its various services have been classified on a program basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. Expenses are charged directly to programs and support services where possible. Remaining expenses are allocated based on actual time spent on programs and support services.

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state statutes and is generally not subject to income taxes. It has been classified as an organization that is not a private foundation under the IRC. Charitable contributions by donors are tax deductible.

The Organization follows the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization's tax returns are subject to review by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017, or the changes in its net assets or cash flows for the years then ended.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 24, 2019, the date the financial statements were available to be issued.

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 LIQUIDITY

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The Organization's Board of Directors approve an annual budget and work in concert with the Finance Committee who monitors financial activities and cash flow on a monthly basis. The Organization strives to maintain financial assets available to meet general expenditures at a level that allows for a positive annual cash flow with the long-term goal of beginning each fiscal year with 120 days cash on hand, which is approximately \$350,000.

The table below presents liquid financial assets available for general expenditures within one year at December 31, 2018:

Financial Assets At Year-End:	
Cash and Cash Equivalents	\$ 212,015
Accounts Receivable	15,979
Less: Assets with Donor Restrictions	<u>(943)</u>
Liquid Financial Assets Available To Meet General Expenditures Within One Year	<u>\$ 227,051</u>

NOTE 3 ACCOUNTS RECEIVABLE

As of December 31, 2018 and 2017, the Organization had accounts receivable balances of \$15,979 and \$25,672, respectively, and these were fully expected to be collected within the next 12 months. Accordingly, the Organization has an allowance for doubtful accounts of \$-0- as of December 31, 2018 and 2017, and has determined that no discount is necessary.

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	2018	2017
Leasehold Improvements	\$ 128,497	\$ 128,497
Vehicles	84,056	67,776
Equipment	63,520	55,436
Software	5,780	5,780
Total Property and Equipment	281,853	257,489
Less: Accumulated Depreciation	(191,719)	(167,480)
Property and Equipment, Net	\$ 90,134	\$ 90,009

Depreciation expense was \$26,155 and \$41,431 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions consisted of \$943 for the Financial Capability program as of December 31, 2018. The Organization had \$15,410 of net assets with donor restrictions for the Mobile Lunch Box program as of December 31, 2017.

Net assets released from restriction for the years ended December 31 included the following:

	2018	2017
Food	\$ -	\$ 4,250
Mobile Food Pantry Operations	-	16,492
Mobile Lunch Box	15,410	9,043
Financial Capability	1,105	-
Total	\$ 16,515	\$ 29,785

**THE OPEN DOOR
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 OPERATING LEASES

The Organization leases space for their food pantries in Eagan and Apple Valley. The Eagan lease expires September 30, 2021, and the Apple Valley lease expires March 31, 2021. The Eagan and Apple Valley leases include escalating monthly payments. Because of this, deferred rent of \$24,750 has been recorded as of December 31, 2018.

In addition, the Organization receives free administrative office rent in the amount of \$1,400 per month. In 2018, the Organization also entered into a 48-month operating lease for office equipment for \$99 per month. Rent expense for the years ended December 31, 2018 and 2017 was \$122,316 and \$122,170, respectively, including charges for common area maintenance. Future minimum lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 76,094
2020	79,407
2021	46,936
2022	891
Total	<u>\$ 203,328</u>