Hospital Hospitality House of Richmond, Inc. d.b.a. The Doorways

Consolidated Financial Statements

June 30, 2019 and 2018

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HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Table of Contents

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Hospital Hospitality House of Richmond, Inc. d.b.a. The Doorways
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hospital Hospitality House of Richmond, Inc., d.b.a. The Doorways, and its subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hospital Hospitality House of Richmond, Inc., d.b.a. The Doorways, and its subsidiaries as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

September 19, 2019
Glen Allen, Virginia

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019			2018		
Assets	Operating	Endowment	Total	Operating	Endowment	Total
Cash and cash equivalents	$ 2,849,151	$ -	$ 2,849,151	$ 2,271,363	$ -	$ 2,271,363
Accounts receivable	18,255	-	18,255	14,952	-	14,952
Dividends receivable	14,173	-	14,173	-	-	-
Pledges receivable, net	116,923	-	116,923	828,990	-	828,990
Prepaid expenses	23,166	-	23,166	15,589	-	15,589
Marketable securities	5,510,160	3,751,582	9,261,742	5,184,477	3,583,781	8,768,258
Property and equipment, net	4,236,863	-	4,236,863	4,211,934	-	4,211,934
Total assets	$12,768,691	$ 3,751,582	$ 16,520,273	$ 12,527,305	$ 3,583,781	$ 16,111,086
Liabilities and Net Assets						
Liabilities:						
Accounts payable	$ 153,072	$ -	$ 153,072	$ 81,577	$ -	$ 81,577
Accrued expenses	59,688	-	59,688	52,217	-	52,217
Deferred revenue	22,880	-	22,880	8,000	-	8,000
Deposits	1,815	-	1,815	1,680	-	1,680
Total liabilities	237,455	-	237,455	143,474	-	143,474
Net assets:						
Without donor restrictions:						
Undesignated	11,419,278	-	11,419,278	10,664,951	-	10,664,951
Board designated operating reserve	-	2,136,258	2,136,258	-	1,974,160	1,974,160
Total net assets without donor restrictions	11,419,278	2,136,258	13,555,536	10,664,951	1,974,160	12,639,111
With donor restrictions:						
Time	33,150	-	33,150	52,660	-	52,660
Purpose	857,933	-	857,933	1,434,312	-	1,434,312
Principal gifts held in perpetuity	-	1,615,324	1,615,324	-	1,609,621	1,609,621
Total net assets with donor restrictions	891,083	1,615,324	2,506,407	1,486,972	1,609,621	3,096,593
Total controlling interest in net assets	12,310,361	3,751,582	16,061,943	12,151,923	3,583,781	15,735,704
Non-controlling interest in net assets of consolidated subsidiaries	220,875	-	220,875	231,908	-	231,908
Total net assets	12,531,236	3,751,582	16,282,818	12,383,831	3,583,781	15,967,612
Total liabilities and net assets	$12,768,691	$ 3,751,582	$ 16,520,273	$ 12,527,305	$ 3,583,781	$ 16,111,086

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 1,289,492	$ 83,020	$ 1,372,512
Rent	1,193,100	-	1,193,100
Special events income	319,277	-	319,277
Investment income, net of fees	201,197	-	201,197
Miscellaneous	1,738	-	1,738
Total revenue and support	3,004,804	83,020	3,087,824
Net assets released from restrictions	677,909	(677,909)	-
Appropriation of endowment income	37,292	(37,292)	-
Total released from restrictions	715,201	(715,201)	-
Expenses:			
Program services:			
House	2,259,288	-	2,259,288
Supporting services:			
Management and general	413,796	-	413,796
Fundraising	269,506	-	269,506
Total expenses	2,942,590	-	2,942,590
Change in net assets before realized and unrealized gain and non-controlling interest	777,415	(632,181)	145,234
Net realized and unrealized gain on marketable securities	127,977	41,995	169,972
Non-controlling interest	11,033	-	11,033
Change in net assets attributable to controlling interest	916,425	(590,186)	326,239
Controlling interest in net assets, beginning of year	12,639,111	3,096,593	15,735,704
Controlling interest in net assets, end of year	$ 13,555,536	$ 2,506,407	$ 16,061,943

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	$ 1,014,802	$ 252,467	$ 1,267,269
Rent	1,125,200	-	1,125,200
Special events income	360,491	-	360,491
Investment income, net of fees	178,455	-	178,455
Gifts-in-kind	119,944	-	119,944
Miscellaneous	4,868	-	4,868
Total revenue and support	2,803,760	252,467	3,056,227
Net assets released from restrictions	947,344	(947,344)	-
Appropriation of endowment income	43,744	(43,744)	-
Total released from restrictions	991,088	(991,088)	-
Expenses:			
Program services:			
House	2,260,337	-	2,260,337
Supporting services:			
Management and general	257,825	-	257,825
Fundraising	290,269	-	290,269
Total expenses	2,808,431	-	2,808,431
Change in net assets before realized and unrealized gain and non-controlling interest	986,417	(738,621)	247,796
Net realized and unrealized gain on marketable securities	368,753	79,406	448,159
Non-controlling interest	11,032	-	11,032
Change in net assets attributable to controlling interest	1,366,202	(659,215)	706,987
Controlling interest in net assets, beginning of year	11,272,909	3,755,808	15,028,717
Controlling interest in net assets, end of year	$ 12,639,111	$ 3,096,593	$ 15,735,704

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Supporting Services		
	House	Management and General	Fundraising	Total
Capital campaign	$ -	$ -	$ 2,271	$ 2,271
Community awareness	11,663	-	-	11,663
Insurance	28,994	3,433	-	32,427
Laundry	24,333	-	-	24,333
Marketing	27,866	6,393	-	34,259
Miscellaneous	30,079	2,763	-	32,842
Office expense	5,755	-	-	5,755
Postage	-	1,683	-	1,683
Printing and publications	-	4,226	10,679	14,905
Professional fees	-	16,700	-	16,700
Professional fees facility	34,537	-	-	34,537
Property taxes	5,751	-	-	5,751
Repairs and maintenance	412,153	5,262	-	417,415
Salaries and benefits	1,189,961	346,988	101,227	1,638,176
Special events	-	-	155,329	155,329
Staff development	14,371	10,878	-	25,249
Supplies	38,465	1,479	-	39,944
System support	21,019	4,343	-	25,362
Telephone and communication	13,254	378	-	13,632
Utilities	131,486	2,172	-	133,658
Waste disposal	12,278	-	-	12,278
	2,001,965	406,698	269,506	2,678,169
Depreciation	257,323	7,098	-	264,421
	$ 2,259,288	$ 413,796	$ 269,506	$ 2,942,590

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	Supporting Services		
	House	Management and General	Fundraising	Total
Capital campaign	$ -	$ -	$ 23,539	$ 23,539
Community awareness	11,021	-	-	11,021
Insurance	29,718	1,516	-	31,234
Laundry	24,155	-	-	24,155
Marketing	26,568	5,361	-	31,929
Miscellaneous	31,828	2,566	-	34,394
Office expense	5,359	-	-	5,359
Postage	-	1,632	-	1,632
Printing and publications	-	1,795	9,836	11,631
Professional fees	2,750	20,760	-	23,510
Property taxes	5,379	-	-	5,379
Repairs and maintenance	295,015	-	-	295,015
Salaries and benefits	1,332,735	216,095	95,116	1,643,946
Special events	-	-	161,778	161,778
Staff development	4,138	2,604	-	6,742
Supplies	34,188	1,411	-	35,599
System support	48,107	4,085	-	52,192
Telephone and communication	17,372	-	-	17,372
Utilities	142,078	-	-	142,078
Waste disposal	8,880	-	-	8,880
	2,019,291	257,825	290,269	2,567,385
Depreciation	241,046	-	-	241,046
	$ 2,260,337	$ 257,825	$ 290,269	$ 2,808,431

See accompanying notes to consolidated financial statements.

HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.
D.B.A. THE DOORWAYS

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 326,239	$ 706,987
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	264,421	241,046
Net realized and unrealized gain on marketable securities	(169,972)	(448,159)
Net investment income re-invested	(173,512)	(171,341)
Donated software	-	(110,944)
Non-controlling interest	(11,033)	(11,032)
Changes in operating assets and liabilities:		
Accounts receivable	(3,303)	36,357
Dividends receivable	(14,173)	-
Pledges receivable, net	712,067	977,661
Prepaid expenses	(7,577)	22,126
Accounts payable	71,495	(125,538)
Accrued expenses	7,471	(1,699)
Deferred revenue	14,880	(1,370)
Deposits	135	90
Net cash provided by operating activities	1,017,138	1,114,184
Cash flows from investing activities:		
Purchase of marketable securities	(150,000)	-
Purchase of property and equipment	(289,350)	(791,647)
Net cash used in investing activities	(439,350)	(791,647)
Net change in cash and cash equivalents	577,788	322,537
Cash and cash equivalents, beginning of year	2,271,363	1,948,826
Cash and cash equivalents, end of year	$ 2,849,151	$ 2,271,363
Supplemental disclosure of non-cash activity:		
Accounts payable for purchase of property and equipment	$ -	$ 5,545
Donated software	$ -	$ 110,944
Donated property and equipment	$ -	$ 3,500

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

Nature of Organization: Hospital Hospitality House of Richmond, Inc., d.b.a. the Doorways, and its subsidiaries (collectively, the "Organization") provides housing to families of inpatients, same-day surgery patients, and outpatients who are undergoing continuing treatment at VCU Health, Veterans Affairs Medical Center, Virginia Treatment Center for Children, Sheltering Arms Physical Rehabilitation Hospital, HealthSouth Medical Center, Children's Hospital of Richmond at VCU, and Retreat Hospital. Public support, special events, rents, and investment income are the primary sources of revenue and support.

Basis of Accounting: The consolidated financial statements include the accounts of The Doorways and its majority-owned subsidiary, 7th & Marshall Corporation. Significant intercompany transactions and balances have been eliminated in consolidation.

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

Newly Adopted Accounting Standard: In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). The ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019, with the presentation shown retrospectively to include the 2018 consolidated totals.

Basis of Presentation: The financial statements are presented in accordance with FASB guidance, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Organization. Donor-restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Bequest without donor restrictions are evaluated annually and may be board designated for long-term investment (quasi-endowment) as part of the operating reserve with the objective of setting funds aside to be drawn upon at a defined spend rate for the fund of up to 4% to support annual operating and capital needs or in the event of financial distress or immediate liquidity need.

Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Pledges Receivable: Pledges receivable are recorded based on management's estimate of the amount of pledges that will actually be collected. Contributions pledged are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in assets with donor restrictions based upon the nature of the restrictions. When a restriction expires, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization uses the allowance method for estimates of uncollectible pledges and receivables. The allowance is based on historical collection rates and an analysis of individual pledges receivable. This analysis concluded that uncollectible pledges were not significant as of June 30, 2019 and June 30, 2018; accordingly, no provision was made for uncollectible amounts.

1. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and unsecured pledges receivable. The Organization maintains its cash balances in financial institutions located in Richmond, Virginia. The balances in these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000, and the balances periodically exceed this amount. The ability to collect pledges receivable is affected by economic conditions in the Richmond metropolitan area of Virginia, the Organization's principal service area. At June 30, 2019, approximately 73% of pledges receivable were from two donors. At June 30, 2018, approximately 70% of pledges receivable was from one donor.

Investments: Investments in marketable securities are carried at fair value as determined by the investment managers. Unrealized gains and losses are included in the consolidated statements of activities. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain marketable securities and the level of uncertainty related to changes in the value of marketable securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the consolidated financial statements.

Property and Equipment: Land, buildings, furniture, fixtures and equipment are stated at cost at date of acquisition or fair market value at the date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. The costs of major improvements are capitalized while the costs of maintenance and repairs, which do not extend or improve the life of the respective property, are expensed currently. The cost and accumulated depreciation of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the consolidated statements of activities.

Support and Revenue Recognition: Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is in substance unconditional. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions, if the restriction expires in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Non-Controlling Interest: The Organization follows FASB guidance related to non-controlling interests in consolidated financial statements. The guidance requires that a non-controlling ownership interest in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated statements of financial position within net assets, but separate from the parent's net assets. In addition, the standard requires that the amount of consolidated change in net assets attributable to the parent and the non-controlling interest be clearly identified and presented in the Organization's consolidated statements of activities.

1. Summary of Significant Accounting Policies, Continued:

Contributed Goods and Services: The value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, amounted to $0 in 2019 and $119,944 in 2018 and have been recognized in the consolidated financial statements. In addition, a number of unpaid volunteers have made significant contributions of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in these consolidated statements because the criteria for recognition under guidance provided by FASB related to accounting for contributions received and contributions made, had not been satisfied.

Income Taxes: The Organization is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The cost of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated. Program service areas account for greater than 98% of the total square footage of the eight story, 112 guest room lodging facility. Following FASB guidance on management and general expense, depreciation and utilities are allocated based on square footage basis, and insurance is allocated based on a combination of square footage and type of coverage. Professional fees and repair & maintenance expenses are evaluated based on service provided and area(s) of the facility serviced. Costs related to personnel are allocated amongst functions based upon the percent of time each employee spends performing each function as defined by their position, time studies, or the population targeted and/or benefits received. Supplies and system support are allocated based on type of product, percentage of support staff utilization, service provided and/or equipment serviced. All other costs are evaluated on a per invoice basis to determine what functions have been served.

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Future events and circumstances may alter those estimates.

Accounting Standard Update: In June 2018, the FASB issued ASU No. 2018-08, “Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made”, which presents a new methodology for determining whether a grant or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 15, 2018, for entities receiving contributions and fiscal years beginning after December 15, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through September 19, 2019, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Pledges Receivable:

At June 30, 2019 and 2018, the Organization has recorded unconditional pledges receivable related to the operations of the Organization. These pledges are to be received during years subsequent to June 30, 2019 and 2018 as follows:

	2019	2018
Receivable in less than one year	$ 71,920	$ 754,753
Receivable in one to four years	46,900	79,004
	118,820	833,757
Less: Discount to net present value	(1,897)	(4,767)
Net pledges receivable	$ 116,923	$ 828,990

Unconditional promises to give are primarily from individuals and corporations located in the metropolitan Richmond area, and are reflected at the present value of estimated future cash flows using a discount rate of 2.90% for 2019 and 3.40% for 2018.

The Organization has been named the beneficiary of a trust that is currently in the process of liquidation. As the future amount to be received is indeterminable at June 30, 2019, no receivable has been recorded for this trust.

3. Marketable Securities:

Marketable securities are stated at fair market value and consist of the following:

	June 30, 2019	
	Cost	Market Value
Cash and equivalents	$ 128,463	$ 128,463
Equity securities	4,994,625	6,279,581
Fixed income securities	2,537,192	2,580,728
Liquid alternative securities	248,455	272,970
	$ 7,908,735	$ 9,261,742

	June 30, 2018	
	Cost	Market Value
Cash and equivalents	$ 76,833	$ 76,833
Equity securities	5,238,926	6,385,465
Fixed income securities	2,100,908	2,054,368
Liquid alternative securities	266,055	251,592
	$ 7,682,722	$ 8,768,258

4. Property and Equipment:

Below is a summary of property and equipment and accumulated depreciation at June 30:

	2019	2018
Property and equipment:		
Land	$ 402,998	$ 402,998
Buildings and improvements	6,363,328	5,754,129
Furniture and equipment	214,981	198,931
Software	110,944	110,944
Renovations in progress	192,754	528,652
	7,285,005	6,995,654
Accumulated depreciation:		
Buildings and improvements	2,832,990	2,599,328
Furniture and equipment	185,567	176,996
Software	29,585	7,396
	3,048,142	2,783,720
Property and equipment, net	$ 4,236,863	$ 4,211,934

Depreciation expense amounted to $264,421 for 2019 and $241,046 for 2018.

5. Joint Venture:

In May 1995, The Doorways entered into a joint venture, 7th & Marshall Corporation (the "Venture"), with University Health Services, Inc. ("UHS") to acquire the property and improvements located at 7th and Marshall Streets. Previously, this property was privately owned and occupied by The Doorways. As consideration for its interest in the Venture, UHS contributed $500,000 of capital that was used to pay the note payable issued at the time of the original purchase of the property.

The Doorways turned over the property at 7th and Marshall Streets to the Venture at a book value of approximately $2,400,000. The Venture agreement was renewed in 2003.

UHS reimburses The Doorways for 50% of the house expenses, which are recorded as rental income. The Venture has a six-member Board of Directors, three of whom are appointed by UHS and three of whom are appointed by The Doorways.

The agreement may be terminated by either party upon giving 36 months notice to the other party. Upon termination, purchase options at fair market value are available to either party, with UHS having a first right to purchase the property, 83.1% of which is owned by The Doorways.

6. Restrictions on Net Assets:

Assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
Time restricted	$ 33,150	$ 52,660
Capital improvements	857,933	1,434,312
Unrealized gain for endowment	569,831	565,128
Donor restricted endowment funds - corpus	1,045,493	1,044,493
	$ 2,506,407	$ 3,096,593

Net assets with donor restrictions were released to satisfy the following restricted purposes:

	2019	2018
Released from time restrictions	$ 52,660	$ 75,520
Released from purpose restrictions	625,249	871,824
	$ 677,909	$ 947,344

During 2018, the Organization received contributions in the amount $163,108 that were restricted for the purpose of capital improvements for which the restricted purpose was also met and funds spent during 2018. These contributions are shown as without donor restrictions on the consolidated statements of activities based on Organization's accounting policy for net assets.

7. Endowment Funds:

The Organization's endowment consists of two individually named funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

7. Endowment Funds, Continued:

The remaining portion of the donor-restricted endowment fund that are not classified as restricted in perpetuity are only reclassified as net assets without donor restrictions when those amounts appropriated for expenditure are disbursed in accordance with donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Investing and Spending Policies: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to earn at least 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Organization's various endowed funds for grant-making and administration. The current spending policy is to distribute the lesser of 50% of the five-year average total return or 4% of market value on the measurement date. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

7. Endowment Funds, Continued:

Funds with Deficits: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2019 and 2018. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

Endowment net asset composition by type of fund was as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds:			
Original designated amount	$ 1,281,000	$ -	$ 1,281,000
Accumulated investment gain	855,258	-	855,258
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,045,493	1,045,493
Accumulated investment gain	-	569,831	569,831
	$ 2,136,258	$ 1,615,324	$ 3,751,582

Changes in endowment net assets were as follows for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 1,974,160	$ 1,609,621	$ 3,583,781
Investment gain	108,023	41,995	150,018
New gifts	-	1,000	1,000
New board designation	150,000	-	150,000
Appropriation of endowment income	(95,925)	(37,292)	(133,217)
Net assets, end of year	$ 2,136,258	$ 1,615,324	$ 3,751,582

7. Endowment Funds, Continued:

Endowment net asset composition by type of fund was as follows as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds:			
Original designated amount	$ 1,131,000	$ -	$ 1,131,000
Accumulated investment gain	843,160	-	843,160
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,044,493	1,044,493
Accumulated investment gain	-	565,128	565,128
	$ 1,974,160	$ 1,609,621	$ 3,583,781

Changes in endowment net assets were as follows for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 1,891,501	$ 1,573,959	$ 3,465,460
Investment gain	184,051	79,406	263,457
Appropriation of endowment income	(101,392)	(43,744)	(145,136)
Net assets, end of year	$ 1,974,160	$ 1,609,621	$ 3,583,781

8. Fair Value Measurements:

The Organization has adopted certain provisions of GAAP related to financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the consolidated financial statements.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

8. Fair Value Measurements, Continued:

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. The Organization did not have any assets or liabilities classified as Level 3 at June 30, 2019 and 2018.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets carried at fair value:

Pledges receivable, net: Valued at the original gift amount, less payments received and a discount to account for payments expected in future periods beyond one year.

Marketable securities: Valued at the closing price for identical assets in active markets.

8. Fair Value Measurements, Continued:

Assets measured at fair value on a recurring basis at June 30, 2019 include the following:

	Level 1	Level 2	Assets at Fair Value
Assets:			
Pledges receivable, net	$ -	$ 116,923	$ 116,923
Marketable securities:			
Cash and equivalents	128,463	-	128,463
Equity securities	6,279,581	-	6,279,581
Fixed income securities	2,580,728	-	2,580,728
Liquid alternative securities	272,970	-	272,970
Total assets at fair value	$ 9,261,742	$ 116,923	$ 9,378,665

Assets measured at fair value on a recurring basis at June 30, 2018 include the following:

	Level 1	Level 2	Assets at Fair Value
Assets:			
Pledges receivable, net	$ -	$ 828,990	$ 828,990
Marketable securities:			
Cash and equivalents	76,833	-	76,833
Equity securities	6,385,465	-	6,385,465
Fixed income securities	2,054,368	-	2,054,368
Liquid alternative securities	251,592	-	251,592
Total assets at fair value	$ 8,768,258	$ 828,990	$ 9,597,248

9. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date as of June 30, 2019, comprise the following:

Financial assets available within one year:	
Cash and cash equivalents	$ 2,849,151
Accounts receivable	18,255
Dividends receivable	14,173
Annual fund pledges receivable in one year	30,150
Marketable securities	9,261,742
Total	12,173,471
Less those unavailable for general expenditure within one year:	
Net assets with donor restrictions	2,476,257
Net assets with board designations	2,136,258
Total	4,612,515
Financial assets available in one year for general expenditure	$ 7,560,956

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors has approved the 2020 budget to include $340,000 in general endowment appropriation in alignment with the endowment spending policy.

Although the Organization does not intend to spend from board designated funds for general expenditures, these funds could be made available if necessary.

10. Retirement Plan:

The Organization adopted a 401(k) defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization makes a matching contribution in the amount of 100% of the elective contributions made by the participants up to the first 3% of compensation, and 50% of the next 2% of compensation. Retirement plan expense incurred by the Organization was $33,070 for 2019 and $33,476 for 2018.

11. Lease:

In May 2016, the Organization entered into a five year lease agreement for bulk television cable. The lease requires monthly payments totaling $649, which are included in the future minimum lease payments schedule below:

Year Ending June 30:	Amount
2020	$ 7,788
2021	7,139
	$ 14,927

12. Line of Credit:

The Organization has a $2.4 million on-demand line of credit with a floating rate of the 30-day London Interbank Offered Rate (LIBOR) plus 1.67%, subject to certain other covenants, conditions, and requirements and renewable annually. The line of credit is available to fund construction projects in advance of cash received from pledge payments related to the capital campaign. There were no borrowings on the line of credit during 2019 or 2018.

13. Commitments and Contingencies:

From time to time, the Organization may be involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position, results of operations, or cash flows.

14. Change in Net Assets:

The adoption of ASU 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958), resulted in an increase of net assets with donor restrictions and a decrease of net assets without donor restrictions in the amount of $264,019 as of July 1, 2017, and a decrease of net assets with donor restrictions and an increase of net assets without donor restrictions of $45,499 as of July 1, 2018. Prior to the adoption of this ASU, funds restricted for capital improvements were released from restriction upon expenditure, however, under this ASU, funds restricted for capital improvements are not released until placed into service. The change is the effect of certain capital improvements remaining in renovations in progress and not being placed into service during the years ended June 30, 2018 and 2017.