



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

Consolidated Financial Statements

June 30, 2020 and 2019



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

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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, 2020 and 2019, 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.

## 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, 2020 and 2019, 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.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

September 17, 2020  
Glen Allen, Virginia

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

Consolidated Statements of Financial Position  
June 30, 2020 and 2019

<u>Assets</u>	2020			2019		
	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,761,057	\$ -	\$ 1,761,057	\$ 2,849,151	\$ -	\$ 2,849,151
Accounts receivable	16,590	-	16,590	18,255	-	18,255
Dividends receivable	1,133	-	1,133	14,173	-	14,173
Pledges receivable, net	89,532	-	89,532	116,923	-	116,923
Prepaid expenses	13,511	-	13,511	23,166	-	23,166
Marketable securities	5,804,807	3,785,469	9,590,276	5,510,160	3,751,582	9,261,742
Property and equipment, net	5,369,220	-	5,369,220	4,236,863	-	4,236,863
<b>Total assets</b>	<b>\$ 13,055,850</b>	<b>\$ 3,785,469</b>	<b>\$ 16,841,319</b>	<b>\$ 12,768,691</b>	<b>\$ 3,751,582</b>	<b>\$ 16,520,273</b>
 <u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable	\$ 129,384	\$ -	\$ 129,384	\$ 153,072	\$ -	\$ 153,072
Accrued expenses	65,526	-	65,526	59,688	-	59,688
Deferred revenue	1,500	-	1,500	22,880	-	22,880
Deposits	1,440	-	1,440	1,815	-	1,815
<b>Total liabilities</b>	<b>197,850</b>	<b>-</b>	<b>197,850</b>	<b>237,455</b>	<b>-</b>	<b>237,455</b>
Net assets:						
Without donor restrictions:						
Undesignated	12,558,625	-	12,558,625	11,419,278	-	11,419,278
Board designated operating reserve	-	2,160,336	2,160,336	-	2,136,258	2,136,258
<b>Total net assets without donor restrictions</b>	<b>12,558,625</b>	<b>2,160,336</b>	<b>14,718,961</b>	<b>11,419,278</b>	<b>2,136,258</b>	<b>13,555,536</b>
With donor restrictions:						
Time	23,000	-	23,000	33,150	-	33,150
Purpose	66,532	-	66,532	857,933	-	857,933
Principal gifts held in perpetuity	-	1,625,133	1,625,133	-	1,615,324	1,615,324
<b>Total net assets with donor restrictions</b>	<b>89,532</b>	<b>1,625,133</b>	<b>1,714,665</b>	<b>891,083</b>	<b>1,615,324</b>	<b>2,506,407</b>
<b>Total controlling interest in net assets</b>	<b>12,648,157</b>	<b>3,785,469</b>	<b>16,433,626</b>	<b>12,310,361</b>	<b>3,751,582</b>	<b>16,061,943</b>
Non-controlling interest in net assets of consolidated subsidiaries	209,843	-	209,843	220,875	-	220,875
<b>Total net assets</b>	<b>12,858,000</b>	<b>3,785,469</b>	<b>16,643,469</b>	<b>12,531,236</b>	<b>3,751,582</b>	<b>16,282,818</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,055,850</b>	<b>\$ 3,785,469</b>	<b>\$ 16,841,319</b>	<b>\$ 12,768,691</b>	<b>\$ 3,751,582</b>	<b>\$ 16,520,273</b>

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 649,634	\$ 25,026	\$ 674,660
Paycheck Protection Program Grant	304,600	-	304,600
Guest lodging	518,158	-	518,158
Rent	1,201,733	-	1,201,733
Special events income	295,398	-	295,398
Investment income, net of fees	183,113	-	183,113
Gifts-in-kind	18,370	-	18,370
Miscellaneous	1,297	-	1,297
Total revenue and support	3,172,303	25,026	3,197,329
Net assets released from restrictions	826,077	(826,077)	-
Appropriation of endowment income	26,269	(26,269)	-
Total released from restrictions	852,346	(852,346)	-
Expenses:			
Program services:			
House	2,292,855	-	2,292,855
Supporting services:			
Management and general	409,787	-	409,787
Fundraising	285,278	-	285,278
Total expenses	2,987,920	-	2,987,920
Change in net assets before realized and unrealized gain and non-controlling interest	1,036,729	(827,320)	209,409
Net realized and unrealized gain on marketable securities	115,664	35,578	151,242
Non-controlling interest	11,032	-	11,032
Change in net assets attributable to controlling interest	1,163,425	(791,742)	371,683
Controlling interest in net assets, beginning of year	13,555,536	2,506,407	16,061,943
Controlling interest in net assets, end of year	\$ 14,718,961	\$ 1,714,665	\$ 16,433,626

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	\$ 772,647	\$ 83,020	\$ 855,667
Guest lodging	516,845	-	516,845
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 Functional Expenses  
Year Ended June 30, 2020

	Program		Supporting Services		Total
	Services	Management			
	House	and General	Fundraising		
Community awareness	\$ 9,885	\$ -	\$ -	\$ 9,885	
Insurance	34,698	3,946	-	38,644	
Laundry	20,303	-	-	20,303	
Marketing	26,108	17,272	-	43,380	
Miscellaneous	39,489	2,063	-	41,552	
Office expense	5,746	-	-	5,746	
Postage	-	1,810	-	1,810	
Printing and publications	-	2,647	7,119	9,766	
Professional fees	-	18,516	-	18,516	
Property taxes	6,003	-	-	6,003	
Repairs and maintenance	401,857	723	-	402,580	
Salaries and benefits	1,247,441	341,528	151,927	1,740,896	
Special events	-	-	126,232	126,232	
Staff development	6,681	4,424	-	11,105	
Supplies	39,743	1,161	-	40,904	
System support	23,057	5,248	-	28,305	
Telephone and communication	16,045	143	-	16,188	
Utilities	122,422	1,940	-	124,362	
Waste disposal	11,628	-	-	11,628	
	<u>2,011,106</u>	<u>401,421</u>	<u>285,278</u>	<u>2,697,805</u>	
Depreciation	<u>281,749</u>	<u>8,366</u>	<u>-</u>	<u>290,115</u>	
	<u>\$ 2,292,855</u>	<u>\$ 409,787</u>	<u>\$ 285,278</u>	<u>\$ 2,987,920</u>	

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		Total
	House	Management and General	Fundraising	
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
	<u>2,001,965</u>	<u>406,698</u>	<u>269,506</u>	<u>2,678,169</u>
Depreciation	<u>257,323</u>	<u>7,098</u>	<u>-</u>	<u>264,421</u>
	<u>\$ 2,259,288</u>	<u>\$ 413,796</u>	<u>\$ 269,506</u>	<u>\$ 2,942,590</u>

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 371,683	\$ 326,239
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	290,115	264,421
Net realized and unrealized gain on marketable securities	(151,242)	(169,972)
Net investment income re-invested	(177,292)	(173,512)
Donated items	(14,370)	-
Non-controlling interest	(11,032)	(11,033)
Changes in operating assets and liabilities:		
Accounts receivable	1,665	(3,303)
Dividends receivable	13,040	(14,173)
Pledges receivable, net	27,391	712,067
Prepaid expenses	9,655	(7,577)
Accounts payable	(23,688)	71,495
Accrued expenses	5,838	7,471
Deferred revenue	(21,380)	14,880
Deposits	(375)	135
Net cash provided by operating activities	320,008	1,017,138
Cash flows from investing activities:		
Purchase of marketable securities	-	(150,000)
Purchase of property and equipment	(1,408,102)	(289,350)
Net cash used in investing activities	(1,408,102)	(439,350)
Net change in cash and cash equivalents	(1,088,094)	577,788
Cash and cash equivalents, beginning of year	2,849,151	2,271,363
Cash and cash equivalents, end of year	\$ 1,761,057	\$ 2,849,151
Supplemental disclosure of non-cash activity:		
Donated property and equipment	\$ 14,370	\$ -
Donated non-capitalized asset	\$ 4,000	\$ -

See accompanying notes to consolidated financial statements.

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

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.

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. As a result, the Organization has seen a reduction in the number of guests and postponed or cancelled fundraising events. As of the date of issuance, activity at the Organization has not yet returned to prior levels. Management implemented certain cost-cutting techniques and obtained a Paycheck Program Protection Loan (see Note 13). The ultimate impact of COVID-19 on the Organization’s future financial state is unknown at this time.

**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 Standards:** In May 2014, the FASB issued Accounting Standard Update (“ASU”) 2014-09 – Revenue Recognition from Contracts with Customers (“Topic 606”). The update modifies the guidance used to recognize revenue from contracts with customers for transfers of goods or services and transfers of nonfinancial assets, unless those contracts are within the scope of other guidance. The update eliminates all transaction and industry-specific accounting principles and replaces them with a unified, five step approach. The Organization adopted the standard during 2020, under the full retrospective transition method. The adoption of Topic 606 did not have a material impact on the Organization’s financial statements as there were no adjustments recorded to previously recorded amounts.

In June 2018, the FASB issued ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“Topic 958”), which is intended to provide specific criteria to determine whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. The ASU provides a framework for determining whether a contribution is conditional or unconditional. Prior to the ASU, FASB’s new revenue recognition standard eliminated exchange guidance and added additional disclosure requirements that are not relevant to these types of transactions.

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

Notes to Consolidated Financial Statements, Continued

**1. Summary of Significant Accounting Policies, Continued:**

**Newly Adopted Accounting Standards, Continued:** Specific to contributions or grants received by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Specific to contributions or grants awarded by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Organization adopted this guidance for the year ended June 30, 2020 with retrospective presentation in the financial statements. Adoption of this ASU resulted in presenting revenues from guest lodging as a separate line item in the consolidated statements of activities.

**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:

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.

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

Notes to Consolidated Financial Statements, Continued

**1. Summary of Significant Accounting Policies, Continued:**

**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, 2020 and June 30, 2019; accordingly, no provision was made for uncollectible amounts.

**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, 2020, approximately 78% of pledges receivable were from two donors. At June 30, 2019, approximately 73% of pledges receivable were from two donors.

**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.

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

Notes to Consolidated Financial Statements, Continued

**1. Summary of Significant Accounting Policies, Continued:**

**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. Revenue consists of contributions with and without donor restrictions, guest lodging income, special events income, joint venture reimbursement of expenses (rents), and investment income. Revenue is recognized at the point in time in which the lodging is provided, the reimbursable expense is incurred or the special events occurs. Accordingly, there are no revenue contract assets or liabilities recorded at June 30, 2020.

**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.

**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 \$18,370 in 2020 and \$0 in 2019 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.

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

Notes to Consolidated Financial Statements, Continued

**1. Summary of Significant Accounting Policies, Continued:**

**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.

**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.

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

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

Notes to Consolidated Financial Statements, Continued

**1. Summary of Significant Accounting Policies, Continued:**

**Subsequent Events:** Management has evaluated subsequent events through September 17, 2020, 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, 2020 and 2019, 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, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 48,150	\$ 71,920
Receivable in one to three years	<u>41,750</u>	<u>46,900</u>
	89,900	118,820
Less: Discount to net present value	<u>(368)</u>	<u>(1,897)</u>
Net pledges receivable	<u>\$ 89,532</u>	<u>\$ 116,923</u>

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 0.60% for 2020 and 2.90% for 2019.

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, 2020, no receivable has been recorded for this trust.



**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**3. Marketable Securities:**

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

	June 30, 2020	
	Cost	Market Value
Cash and equivalents	\$ 377,553	\$ 377,553
Equity securities	5,066,144	6,288,013
Fixed income securities	2,502,077	2,718,165
Liquid alternative securities	197,117	206,545
	\$ 8,142,891	\$ 9,590,276

	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

**4. Property and Equipment:**

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

	2020	2019
Property and equipment:		
Land	\$ 402,998	\$ 402,998
Buildings and improvements	7,937,189	6,363,328
Furniture and equipment	236,386	214,981
Software	110,944	110,944
Renovations in progress	-	192,754
	8,687,517	7,285,005
Accumulated depreciation:		
Buildings and improvements	3,087,366	2,832,990
Furniture and equipment	179,157	185,567
Software	51,774	29,585
	3,318,297	3,048,142
Property and equipment, net	\$ 5,369,220	\$ 4,236,863

Depreciation expense amounted to \$290,115 for 2020 and \$264,421 for 2019.

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**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, 75.3% 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:

	2020	2019
Time restricted	\$ 23,000	\$ 33,150
Capital improvements	66,532	857,933
Unrealized gain for endowment	579,140	569,831
Donor restricted endowment funds - corpus	1,045,993	1,045,493
	\$ 1,714,665	\$ 2,506,407

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

	2020	2019
Released from time restrictions	\$ 33,150	\$ 52,660
Released from purpose restrictions	792,927	625,249
	\$ 826,077	\$ 677,909

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**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.

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.

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**7. Endowment Funds, Continued:**

**Endowment Investing and Spending Policies, Continued:** 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.

**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, 2020 and 2019. 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds:			
Original designated amount	\$ 1,281,000	\$ -	\$ 1,281,000
Accumulated investment gain	879,336	-	879,336
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,045,993	1,045,993
Accumulated investment gain	-	579,140	579,140
	<u>\$ 2,160,336</u>	<u>\$ 1,625,133</u>	<u>\$ 3,785,469</u>

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**7. Endowment Funds, Continued:**

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,136,258	\$ 1,615,324	\$ 3,751,582
Investment gain	92,054	35,578	127,632
New gifts	-	500	500
Appropriation of endowment income	<u>(67,976)</u>	<u>(26,269)</u>	<u>(94,245)</u>
Net assets, end of year	<u>\$ 2,160,336</u>	<u>\$ 1,625,133</u>	<u>\$ 3,785,469</u>

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	<u>-</u>	<u>569,831</u>	<u>569,831</u>
	<u>\$ 2,136,258</u>	<u>\$ 1,615,324</u>	<u>\$ 3,751,582</u>

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**7. Endowment Funds, Continued:**

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 gift	-	1,000	1,000
New board designation	150,000	-	150,000
Appropriation of endowment income	<u>(95,925)</u>	<u>(37,292)</u>	<u>(133,217)</u>
Net assets, end of year	<u>\$ 2,136,258</u>	<u>\$ 1,615,324</u>	<u>\$ 3,751,582</u>

**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.

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.

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**8. Fair Value Measurements, Continued:**

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, 2020 and 2019.

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.

Assets measured at fair value on a recurring basis at June 30, 2020 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Assets at Fair Value</u>
Assets:			
Pledges receivable, net	\$ -	\$ 89,532	\$ 89,532
Marketable securities:			
Cash and equivalents	377,553	-	377,553
Equity securities	6,288,013	-	6,288,013
Fixed income securities	2,718,165	-	2,718,165
Liquid alternative securities	<u>206,545</u>	<u>-</u>	<u>206,545</u>
Total assets at fair value	<u>\$ 9,590,276</u>	<u>\$ 89,532</u>	<u>\$ 9,679,808</u>

**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**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

**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, comprise the following:

	2020	2019
Financial assets available within one year:		
Cash and cash equivalents	\$ 1,761,057	\$ 2,849,151
Accounts receivable	16,590	18,255
Dividends receivable	1,133	14,173
Annual fund pledges receivable in one year	23,000	30,150
Marketable securities	9,590,276	9,261,742
Total	11,392,056	12,173,471
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	1,691,665	2,476,257
Net assets with board designations	2,160,336	2,136,258
Total	3,852,001	4,612,515
Financial assets available in one year for general expenditure	\$ 7,540,055	\$ 7,560,956



**HOSPITAL HOSPITALITY HOUSE OF RICHMOND, INC.  
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Notes to Consolidated Financial Statements, Continued

**9. Liquidity and Availability of Financial Assets, Continued:**

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 2021 budget to include \$343,000 in general investment appropriation in alignment with the investment 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 \$34,325 for 2020 and \$33,070 for 2019.

**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. The Organization expects to pay \$7,139 in 2021.

**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 2020 or 2019.

**13. Paycheck Protection Program Loan:**

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

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Notes to Consolidated Financial Statements, Continued

**13. Paycheck Protection Program Loan, Continued:**

The Organization applied for and was approved for a PPP Loan in the amount of \$304,600. The loan was funded on April 17, 2020. The loan accrues interest at 1.0%, but payments are not required to begin for six months after the funding of the PPP Loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

As of June 30, 2020, the Organization had used all of the loan proceeds for qualifying costs and as a result, management believes the PPP Loan will be fully forgiven. Based on its facts and circumstances, the Organization elected to recognize the loan forgiveness as of June 30, 2020 and reflect the full amount of \$304,600 as Paycheck Protection Program Grant in the accompanying 2020 consolidated statement of activities.

**14. 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.

**15. Accounting Standards Update:**

In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. ASU 2020-05 also allows deferral of this adoption to periods beginning after December 15, 2021. The new standard will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.