



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

Consolidated Financial Statements

June 30, 2023 and 2022



4401 Dominion Boulevard  
Glen Allen, Virginia 23060  
Tel: 804.747.0000  
[www.keitercpa.com](http://www.keitercpa.com)

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying consolidated financial statements of Hospital Hospitality House of Richmond, Inc., d.b.a. The Doorways, and its subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

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 subsidiary as of June 30, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



September 14, 2023  
Glen Allen, Virginia

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

Consolidated Statements of Financial Position  
June 30, 2023 and 2022

<u>Assets</u>	2023			2022		
	Operating	Endowment	Total	Operating	Endowment	Total
Cash and cash equivalents	\$ 913,616	\$ -	\$ 913,616	\$ 1,733,106	\$ -	\$ 1,733,106
Accounts receivable	80,104	-	80,104	82,794	-	82,794
Pledges receivable, net	32,675	-	32,675	90,828	-	90,828
Prepaid expenses	9,008	-	9,008	17,433	-	17,433
Marketable securities	8,941,811	4,206,153	13,147,964	7,135,438	3,919,779	11,055,217
Property and equipment, net	4,866,662	-	4,866,662	4,963,448	-	4,963,448
<b>Total assets</b>	<b>\$ 14,843,876</b>	<b>\$ 4,206,153</b>	<b>\$ 19,050,029</b>	<b>\$ 14,023,047</b>	<b>\$ 3,919,779</b>	<b>\$ 17,942,826</b>
 <u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable	\$ 89,229	\$ -	\$ 89,229	\$ 90,732	\$ -	\$ 90,732
Accrued expenses	92,532	-	92,532	70,368	-	70,368
Deferred revenue	3,080	-	3,080	8,000	-	8,000
Deposits	1,710	-	1,710	1,680	-	1,680
<b>Total liabilities</b>	<b>186,551</b>	<b>-</b>	<b>186,551</b>	<b>170,780</b>	<b>-</b>	<b>170,780</b>
Net assets:						
Without donor restrictions:						
Undesignated	14,447,905	-	14,447,905	13,573,661	-	13,573,661
Board designated operating reserve	-	2,423,376	2,423,376	-	2,214,154	2,214,154
<b>Total net assets without donor restrictions</b>	<b>14,447,905</b>	<b>2,423,376</b>	<b>16,871,281</b>	<b>13,573,661</b>	<b>2,214,154</b>	<b>15,787,815</b>
With donor restrictions:						
Time	32,675	-	32,675	46,000	-	46,000
Purpose	-	-	-	44,828	-	44,828
Principal gifts held in perpetuity	-	1,782,777	1,782,777	-	1,705,625	1,705,625
<b>Total net assets with donor restrictions</b>	<b>32,675</b>	<b>1,782,777</b>	<b>1,815,452</b>	<b>90,828</b>	<b>1,705,625</b>	<b>1,796,453</b>
<b>Total controlling interest in net assets</b>	<b>14,480,580</b>	<b>4,206,153</b>	<b>18,686,733</b>	<b>13,664,489</b>	<b>3,919,779</b>	<b>17,584,268</b>
Non-controlling interest in net assets of consolidated subsidiary	176,745	-	176,745	187,778	-	187,778
<b>Total net assets</b>	<b>14,657,325</b>	<b>4,206,153</b>	<b>18,863,478</b>	<b>13,852,267</b>	<b>3,919,779</b>	<b>17,772,046</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,843,876</b>	<b>\$ 4,206,153</b>	<b>\$ 19,050,029</b>	<b>\$ 14,023,047</b>	<b>\$ 3,919,779</b>	<b>\$ 17,942,826</b>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 943,381	\$ 33,675	\$ 977,056
Guest lodging	645,622	-	645,622
Rent	1,307,194	-	1,307,194
Special events income	303,046	-	303,046
Investment income, net of fees	331,319	-	331,319
Miscellaneous	3,546	-	3,546
Total revenue and support	3,534,108	33,675	3,567,783
Net assets released from restrictions	90,828	(90,828)	-
Appropriation of endowment income	25,687	(25,687)	-
Total released from restrictions	116,515	(116,515)	-
Expenses:			
Program services:			
House	2,449,232	-	2,449,232
Supporting services:			
Management and general	522,930	-	522,930
Fundraising	288,569	-	288,569
Total expenses	3,260,731	-	3,260,731
Change in net assets before realized and unrealized gain and non-controlling interest	389,892	(82,840)	307,052
Net realized and unrealized gain on marketable securities	682,541	101,839	784,380
Non-controlling interest	11,033	-	11,033
Change in net assets attributable to controlling interest	1,083,466	18,999	1,102,465
Controlling interest in net assets, beginning of year	15,787,815	1,796,453	17,584,268
Controlling interest in net assets, end of year	\$ 16,871,281	\$ 1,815,452	\$ 18,686,733

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities, Continued  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 1,018,291	\$ 51,065	\$ 1,069,356
Guest lodging	576,250	-	576,250
Rent	1,225,596	-	1,225,596
Special events income	331,979	-	331,979
Investment income, net of fees	220,582	-	220,582
Miscellaneous	1,828	-	1,828
Total revenue and support	3,374,526	51,065	3,425,591
Net assets released from restrictions	22,505	(22,505)	-
Appropriation of endowment income	43,128	(43,128)	-
Total released from restrictions	65,633	(65,633)	-
Expenses:			
Program services:			
House	2,356,039	-	2,356,039
Supporting services:			
Management and general	521,279	-	521,279
Fundraising	282,588	-	282,588
Total expenses	3,159,906	-	3,159,906
Change in net assets before realized and unrealized loss and non-controlling interest	280,253	(14,568)	265,685
Net realized and unrealized loss on marketable securities	(1,701,670)	(133,406)	(1,835,076)
Non-controlling interest	11,032	-	11,032
Change in net assets attributable to controlling interest	(1,410,385)	(147,974)	(1,558,359)
Controlling interest in net assets, beginning of year	17,198,200	1,944,427	19,142,627
Controlling interest in net assets, end of year	\$ 15,787,815	\$ 1,796,453	\$ 17,584,268

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Functional Expenses  
Year Ended June 30, 2023

	Program		Fundraising	Total	
	Services	Supporting Services			
	House	Management and General			
Community awareness	\$ 13,196	\$ -	\$ -	\$ 13,196	
Insurance	37,973	4,046	-	42,019	
Laundry	21,089	-	-	21,089	
Marketing	129,653	108,815	23,075	261,543	
Miscellaneous	40,922	1,227	-	42,149	
Office expense	5,917	-	-	5,917	
Postage	-	2,213	-	2,213	
Printing and publications	-	2,978	3,699	6,677	
Professional fees	19,811	20,178	-	39,989	
Professional fees facility	4,350	-	-	4,350	
Property taxes	7,034	-	-	7,034	
Repairs and maintenance	297,521	-	-	297,521	
Salaries and benefits	1,424,195	362,125	125,616	1,911,936	
Special events	-	-	136,179	136,179	
Staff development	8,566	4,271	-	12,837	
Supplies	41,964	1,769	-	43,733	
System support	21,391	7,398	-	28,789	
Telephone and communication	17,045	85	-	17,130	
Utilities	127,553	2,175	-	129,728	
Waste disposal	10,675	-	-	10,675	
	<u>2,228,855</u>	<u>517,280</u>	<u>288,569</u>	<u>3,034,704</u>	
Depreciation	<u>220,377</u>	<u>5,650</u>	<u>-</u>	<u>226,027</u>	
	<u>\$ 2,449,232</u>	<u>\$ 522,930</u>	<u>\$ 288,569</u>	<u>\$ 3,260,731</u>	

See accompanying notes to consolidated financial statements.



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

Consolidated Statements of Functional Expenses, Continued  
Year Ended June 30, 2022

	Program		Fundraising	Total	
	Services	Supporting Services			
	House	Management and General			
Community awareness	\$ 9,333	\$ -	\$ -	\$ 9,333	
Insurance	39,206	3,966	-	43,172	
Laundry	22,827	-	-	22,827	
Marketing	101,141	141,195	-	242,336	
Miscellaneous	38,528	2,533	-	41,061	
Office expense	5,469	-	-	5,469	
Postage	-	1,926	-	1,926	
Printing and publications	-	2,394	7,917	10,311	
Professional fees	11,780	18,290	4,655	34,725	
Professional fees facility	800	-	-	800	
Property taxes	7,036	-	-	7,036	
Repairs and maintenance	321,604	-	-	321,604	
Salaries and benefits	1,329,388	316,853	112,430	1,758,671	
Special events	-	-	157,586	157,586	
Staff development	6,172	3,005	-	9,177	
Supplies	44,187	1,694	-	45,881	
System support	34,541	21,973	-	56,514	
Telephone and communication	25,019	50	-	25,069	
Utilities	116,248	1,800	-	118,048	
Waste disposal	10,444	-	-	10,444	
	<u>2,123,723</u>	<u>515,679</u>	<u>282,588</u>	<u>2,921,990</u>	
Depreciation	<u>232,316</u>	<u>5,600</u>	<u>-</u>	<u>237,916</u>	
	<u>\$ 2,356,039</u>	<u>\$ 521,279</u>	<u>\$ 282,588</u>	<u>\$ 3,159,906</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,102,465	\$ (1,558,359)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	226,027	237,916
Net realized and unrealized (gain) loss on marketable securities	(784,380)	1,835,076
Net investment income re-invested	(308,057)	(218,939)
Non-controlling interest	(11,033)	(11,032)
Changes in operating assets and liabilities:		
Accounts receivable	2,690	48,118
Pledges receivable, net	58,153	(28,560)
Prepaid expenses	8,425	(3,184)
Accounts payable	(1,503)	20,131
Accrued expenses	22,164	(752)
Deferred revenue	(4,920)	(1,750)
Deposits	<u>30</u>	<u>(630)</u>
Net cash provided by operating activities	<u>310,061</u>	<u>318,035</u>
Cash flows from investing activities:		
Purchase of marketable securities	(1,000,310)	(215,000)
Purchase of property and equipment	<u>(129,241)</u>	<u>(77,634)</u>
Net cash used in investing activities	<u>(1,129,551)</u>	<u>(292,634)</u>
Net change in cash and cash equivalents	(819,490)	25,401
Cash and cash equivalents, beginning of year	<u>1,733,106</u>	<u>1,707,705</u>
Cash and cash equivalents, end of year	<u>\$ 913,616</u>	<u>\$ 1,733,106</u>

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 subsidiary (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.

**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* - 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* - 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.

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

Notes to Consolidated Financial Statements, Continued

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

**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, 2023 and June 30, 2022; 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. To reduce the exposure to uninsured balances, the Organization has opened an Insured Cash Sweep account. 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, 2023, approximately 83% of pledges receivable were from two donors. At June 30, 2022, approximately 90% of pledges receivable were from three 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.

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

Notes to Consolidated Financial Statements, Continued

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

**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. 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, 2023 and 2022 or July 1, 2021.

**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 Organization recognizes in its consolidated financial statements 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. During 2023 and 2022, the value of contributed goods and services meeting this recognition criteria was insignificant to the consolidated financial statements and; therefore, not reflected in the accompanying 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.

**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 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, 117 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 and 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.

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

Notes to Consolidated Financial Statements, Continued

**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.

**Newly Adopted Accounting Standards:** In February 2016, the FASB issued 2016-02, Leases (Topic 842), which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the statements of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations.

The Organization adopted the standard as of July 1, 2022, under the modified-retrospective approach. The Organization elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less. Accordingly, the adoption of ASC 842 did not materially impact the Organization's consolidated financial statements, as amounts were deemed to be insignificant.

**Subsequent Events:** Management has evaluated subsequent events through September 14, 2023, 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, 2023 and 2022, 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, 2023 and 2022 as follows:

	2023	2022
Receivable in less than one year	\$ 32,675	\$ 87,666
Receivable in one to two years	-	3,334
	32,675	91,000
Less: Discount to net present value	-	(172)
Net pledges receivable	\$ 32,675	\$ 90,828

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 3.60% for 2022. As of June 30, 2023, all pledges receivable were expected to be received within one year. Accordingly, there was no discount for 2023.

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

Notes to Consolidated Financial Statements, Continued

**3. Marketable Securities:**

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

	June 30, 2023	
	Cost	Market Value
Cash and equivalents	\$ 400,073	\$ 400,073
Equity securities	5,300,601	7,745,299
Fixed income securities	4,516,361	4,445,658
Liquid alternative securities	520,113	556,934
	\$ 10,737,148	\$ 13,147,964

  

	June 30, 2022	
	Cost	Market Value
Cash and equivalents	\$ 565,363	\$ 565,363
Equity securities	5,155,976	6,810,249
Fixed income securities	2,916,139	2,717,503
Liquid alternative securities	1,012,900	962,102
	\$ 9,650,378	\$ 11,055,217

**4. Property and Equipment:**

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

	2023	2022
Property and equipment:		
Land	\$ 402,998	\$ 402,998
Buildings and improvements	8,059,732	8,023,150
Furniture and equipment	245,740	236,386
Software	-	110,944
Renovations in progress	93,841	30,521
	8,802,311	8,803,999
Accumulated depreciation:		
Buildings and improvements	3,727,602	3,542,367
Furniture and equipment	208,047	202,033
Software	-	96,151
	3,935,649	3,840,551
Property and equipment, net	\$ 4,866,662	\$ 4,963,448

Depreciation expense amounted to \$226,027 for 2023 and \$237,916 for 2022.



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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, 75.4% of which is owned by The Doorways.

**6. Restrictions on Net Assets:**

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

	2023	2022
Time restricted	\$ 32,675	\$ 46,000
Capital improvements	-	44,828
Unrealized gain for endowment	735,784	659,632
Donor restricted endowment funds - corpus	1,046,993	1,045,993
	\$ 1,815,452	\$ 1,796,453

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

	2023	2022
Released from time restrictions	\$ 46,000	\$ 21,050
Released from purpose restrictions (capital)	44,828	1,455
	\$ 90,828	\$ 22,505

**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 portions of the donor-restricted endowment funds 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, 2023 and 2022. 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds:			
Original designated amount	\$ 1,281,000	\$ -	\$ 1,281,000
Accumulated investment gain	1,142,376	-	1,142,376
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,046,993	1,046,993
Accumulated investment gain	-	735,784	735,784
	<u>\$ 2,423,376</u>	<u>\$ 1,782,777</u>	<u>\$ 4,206,153</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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,214,154	\$ 1,705,625	\$ 3,919,779
Investment gain	279,795	101,839	381,634
New gifts	-	1,000	1,000
Appropriation of endowment income	<u>(70,573)</u>	<u>(25,687)</u>	<u>(96,260)</u>
Net assets, end of year	<u>\$ 2,423,376</u>	<u>\$ 1,782,777</u>	<u>\$ 4,206,153</u>

Endowment net asset composition by type of fund was as follows as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds:			
Original designated amount	\$ 1,281,000	\$ -	\$ 1,281,000
Accumulated investment gain	933,154	-	933,154
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	1,045,993	1,045,993
Accumulated investment gain	<u>-</u>	<u>659,632</u>	<u>659,632</u>
	<u>\$ 2,214,154</u>	<u>\$ 1,705,625</u>	<u>\$ 3,919,779</u>

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	\$ 2,833,504	\$ 1,882,159	\$ 4,715,663
Investment loss	(468,039)	(133,406)	(601,445)
Appropriation of endowment income	<u>(151,311)</u>	<u>(43,128)</u>	<u>(194,439)</u>
Net assets, end of year	<u>\$ 2,214,154</u>	<u>\$ 1,705,625</u>	<u>\$ 3,919,779</u>

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

**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.

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, 2023 and 2022.

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 of identical assets in active markets (mutual funds) or valued at the realizable cash value equivalent to the specific sum of money held in cash or money market funds (cash and equivalents).

**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, 2023 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Assets at Fair Value</u>
Assets:			
Pledges receivable, net	\$ -	\$ 32,675	\$ 32,675
Marketable securities:			
Cash and equivalents	400,073	-	400,073
Equity securities	7,745,299	-	7,745,299
Fixed income securities	4,445,658	-	4,445,658
Liquid alternative securities	<u>556,934</u>	<u>-</u>	<u>556,934</u>
Total assets at fair value	<u>\$ 13,147,964</u>	<u>\$ 32,675</u>	<u>\$ 13,180,639</u>

Assets measured at fair value on a recurring basis at June 30, 2022 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Assets at Fair Value</u>
Assets:			
Pledges receivable, net	\$ -	\$ 90,828	\$ 90,828
Marketable securities:			
Cash and equivalents	565,363	-	565,363
Equity securities	6,810,249	-	6,810,249
Fixed income securities	2,717,503	-	2,717,503
Liquid alternative securities	<u>962,102</u>	<u>-</u>	<u>962,102</u>
Total assets at fair value	<u>\$ 11,055,217</u>	<u>\$ 90,828</u>	<u>\$ 11,146,045</u>

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

**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:

	2023	2022
Financial assets available within one year:		
Cash and cash equivalents	\$ 913,616	\$ 1,733,106
Accounts receivable	80,104	82,794
Annual fund pledges receivable in one year	32,675	46,000
Marketable securities	13,147,964	11,055,217
Total	14,174,359	12,917,117
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	1,782,777	1,750,453
Net assets with board designations	2,423,376	2,214,154
Total	4,206,153	3,964,607
Financial assets available in one year for general expenditure	\$ 9,968,206	\$ 8,952,510

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 2023 budget to include \$395,000 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 \$39,336 for 2023 and \$36,321 for 2022.

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Notes to Consolidated Financial Statements, Continued

**11. Line of Credit:**

The Organization has an on-demand line of credit, subject to certain other covenants, conditions, and requirements and renewable annually. In April 2023, the line of credit was amended to decrease the maximum principal from \$2,400,000 to \$500,000. Additionally, the floating rate was modified from the 30-day London Interbank Offered Rate (LIBOR) plus 1.67% to the Ameribor Term-30 (AMBOR30T) plus 1.67%. 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 2023 or 2022.

**12. 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.

In May 2021, the Organization entered into a three year agreement for television cable. The agreement requires monthly payments totaling \$895. Future minimum payments under the agreement total \$9,843 for the year ending June 30, 2024.