

**FINANCIAL STATEMENTS**

**OPENDOOR HOUSING FUND**

**FOR THE YEAR ENDED JUNE 30, 2008**

# OPENDOOR HOUSING FUND

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of June 30, 2008	3 - 4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended June 30, 2008	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2008	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended June 30, 2008	7
NOTES TO FINANCIAL STATEMENTS	8 - 13



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
OpenDoor Housing Fund  
Washington, D.C.

We have audited the accompanying statement of financial position of the OpenDoor Housing Fund (ODHF) as of June 30, 2008, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ODHF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ODHF as of June 30, 2008, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

January 12, 2009

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · Fax (301) 951-3570 · [www.grfcpa.com](http://www.grfcpa.com)

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**OPENDOOR HOUSING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,741,819
Restricted cash	45,365
Notes receivable (Note 2)	2,028,125
Accrued interest receivable, net of interest loss reserve of \$153,131	165,068
Prepaid expenses and other assets	<u>16,116</u>
Total current assets	<u>3,996,493</u>

**PROPERTY AND EQUIPMENT**

Furniture and equipment	36,821
Less: Accumulated depreciation and amortization	<u>(16,411)</u>
Net property and equipment	<u>20,410</u>

**NONCURRENT ASSETS**

Notes receivable, net of current portion and loan loss reserve of \$879,812 (Note 2)	12,223,700
Loan fees, net of accumulated amortization of \$12,426	11,606
Security deposit	<u>3,041</u>
Total noncurrent assets	<u>12,238,347</u>

**TOTAL ASSETS** **\$ 16,255,250**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Notes payable (Note 3)	\$ 2,117,225
Accounts payable (Note 9)	29,915
Accrued interest (Note 5)	71,356
Deferred interest revenue	<u>24,371</u>

Total current liabilities 2,242,867

**NONCURRENT LIABILITIES**

Notes payable, net of current portion (Note 3)	3,866,530
SAFI note payable (Note 5)	9,000,000
Deferred rent abatement (Note 7)	<u>2,425</u>

Total noncurrent liabilities 12,868,955

Total liabilities 15,111,822

**NET ASSETS**

Unrestricted	974,782
Temporarily restricted (Note 6)	<u>168,646</u>

Total net assets 1,143,428

**TOTAL LIABILITIES AND NET ASSETS** **\$ 16,255,250**

**OPENDOOR HOUSING FUND**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Grants and contributions	\$ 287,575	\$ -	\$ 287,575
Bank interest	31,650	-	31,650
Loan fees and interest income	512,990	-	512,990
Other revenue	22,627	-	22,627
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 6)	<u>29,304</u>	<u>(29,304)</u>	<u>-</u>
Total revenue	<u>884,146</u>	<u>(29,304)</u>	<u>854,842</u>
<b>EXPENSES</b>			
Program Services	<u>679,047</u>	<u>-</u>	<u>679,047</u>
Supporting Services:			
General and Administrative	95,252	-	95,252
Fundraising	<u>23,048</u>	<u>-</u>	<u>23,048</u>
Total supporting services	<u>118,300</u>	<u>-</u>	<u>118,300</u>
Total expenses	<u>797,347</u>	<u>-</u>	<u>797,347</u>
Change in net assets before other items	<u>86,799</u>	<u>(29,304)</u>	<u>57,495</u>
<b>OTHER ITEMS</b>			
Loans directly written-off (Note 2)	(548,577)	-	(548,577)
Increase in loan loss allowance (Note 2)	(193,019)	-	(193,019)
Increase in loan interest allowance	(153,131)	-	(153,131)
Net assets transferred through merger (Note 10)	<u>673,989</u>	<u>168,646</u>	<u>842,635</u>
Total other items	<u>(220,738)</u>	<u>168,646</u>	<u>(52,092)</u>
Change in net assets	(133,939)	139,342	5,403
Net assets at beginning of year	<u>1,108,721</u>	<u>29,304</u>	<u>1,138,025</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 974,782</u></b>	<b><u>\$ 168,646</u></b>	<b><u>\$ 1,143,428</u></b>

See accompanying notes to financial statements.

**OPENDOOR HOUSING FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Payroll and related expenses (Note 9)	\$ 332,387	\$ 43,008	\$ 8,208	\$ 383,603
Amortization of loan fees	1,676	-	-	1,676
Audit	-	14,300	-	14,300
Bank fees	624	59	15	698
Board and committee support	-	2,764	-	2,764
Consultants	47,148	8,059	3,047	58,254
Depreciation	6,277	590	155	7,022
Dues and subscriptions	1,342	-	-	1,342
Insurance	1,462	6,269	36	7,767
Interest (Note 3)	153,843	-	-	153,843
Legal	30,852	-	-	30,852
Maintenance and repairs	3,848	438	115	4,401
Marketing and advertising (Note 8)	26,830	-	9,752	36,582
Meetings	3,598	-	-	3,598
Merger fees	-	13,273	-	13,273
Occupancy (Note 7)	38,306	3,590	958	42,854
Office supplies	12,633	1,189	312	14,134
Payroll service	1,482	139	37	1,658
Postage	2,510	236	62	2,808
Printing and copying	5,601	527	138	6,266
Telephone	6,375	599	157	7,131
Travel	2,253	212	56	2,521
<b>TOTAL</b>	<b>\$ 679,047</b>	<b>\$ 95,252</b>	<b>\$ 23,048</b>	<b>\$ 797,347</b>

**OPENDOOR HOUSING FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 5,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	8,698
Receipt of unamortized capital assets	(29,052)
Increase in loan interest allowance	153,131
Loans written-off	548,577
Increase in loan loss reserve	193,019
(Increase) decrease in:	
Accrued interest receivable	(280,063)
Prepaid expenses and other assets	(15,870)
Security deposit	(3,041)
Increase (decrease) in:	
Accounts payable	26,373
Accrued interest	45,579
Deferred interest revenue	24,371
Deferred rent abatement	<u>2,425</u>
Net cash provided by operating activities	<u>679,550</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	(2,380)
Payments for loan fees	(5,532)
Decrease in restricted cash	1,265,861
Net increase in notes receivable	<u>(10,898,330)</u>
Net cash used by investing activities	<u>(9,640,381)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net increase in notes payable	<u>10,233,755</u>
Net cash provided by financing activities	<u>10,233,755</u>
Net increase in cash and cash equivalents	1,272,924
Cash and cash equivalents at beginning of year	<u>468,895</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,741,819</u></b>

**SUPPLEMENTAL INFORMATION:**

<b>Interest Paid</b>	<b><u>\$ 108,264</u></b>
----------------------	--------------------------

See accompanying notes to financial statements.

## OPENDOOR HOUSING FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

OpenDoor Housing Fund (ODHF) is a nonprofit organization, created on July 1, 2007, incorporated in the District of Columbia and located in Silver Spring, Maryland. ODHF helps to create economically strong and diverse communities by providing low-interest loans to mission-oriented affordable housing developers. These loans provide the early critical funding necessary to bring affordable housing plans to fruition.

ODHF was created as a result of a merger between the Unitarian Universalist Affordable Housing Corporation (UUAHC) and the Washington Area Housing Trust Fund (WAHTF). The surviving entity (WAHTF) was renamed OpenDoor Housing Fund and all assets and liabilities of UUAHC as of July 1, 2007 were transferred to the newly formed organization.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

##### Cash and cash equivalents -

ODHF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, ODHF maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

##### Below-market rate financing -

Accounting principles generally accepted in the United States of America require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below-market interest rates. ODHF believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

##### Notes receivable -

Notes receivable are stated at their net realizable value. An allowance is provided for notes receivable that may be uncollectible. Recoveries of amounts previously recorded as uncollectible are recorded as income if received.

##### Property and equipment -

Property and equipment purchases in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

## OPENDOOR HOUSING FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Income taxes -

ODHF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ODHF is not a private foundation.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ODHF and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ODHF and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

##### Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**OPENDOOR HOUSING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**2. NOTES RECEIVABLE**

As of June 30, 2008, ODHF had 26 notes due and outstanding. Loans are secured and bear interest of 1.00% to 8.25%. Loan maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest Rate</u>
2009	\$ 2,028,125	1.00% - 8.25%
2010	2,306,918	1.00% - 8.25%
2011	10,596,594	1.00% - 8.25%
2012	-	
2013	-	
2014 and Thereafter	<u>200,000</u>	2.00%
	15,131,637	
Less: current portion	<u>(2,028,125)</u>	
Noncurrent portion	13,103,512	
Less: loan loss reserve	<u>(879,812)</u>	
<b>NET NONCURRENT NOTES RECEIVABLE</b>	<b><u>\$ 12,223,700</u></b>	

During the year, ODHF wrote off \$548,577 of loans that were deemed uncollectible. In addition, ODHF increased its allowance for uncollectible loans by \$193,019 during the current year.

**3. NOTES PAYABLE**

Notes payable consists of various unsecured notes held by individuals, churches, financial institutions, and various non-profit organizations. The notes bear interest between zero and 4.50%.

As of June 30, 2008, the outstanding principal of the notes payable was \$5,983,755. Principal payments are due as follows:

<u>Year Ended June 30,</u>	
2009	\$ 2,117,225
2010	1,007,670
2011	1,064,810
2012	915,800
2013	381,000
2014 and Thereafter	<u>497,250</u>
	5,983,755
Less: current portion	<u>(2,117,225)</u>
<b>TOTAL NONCURRENT NOTES PAYABLE</b>	<b><u>\$ 3,866,530</u></b>

## OPENDOOR HOUSING FUND

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

#### 3. NOTES PAYABLE (Continued)

Included in the total above are notes payable of \$1,157,244 which are due to participant lenders under non-recourse agreements. Participant lender notes totaling \$804,744 and \$352,500 are due to be repaid in 2009 and 2010, respectively.

Total interest expense during the year ended June 30, 2008 was \$153,843 of which \$108,264 was paid as of June 30, 2008 (interest of \$71,356 is included in liabilities as of June 30, 2008). Included in these amounts is SAFI loan interest of \$22,403 (of which \$45,224 was unpaid as of fiscal year end) (Note 5).

#### 4. LINE OF CREDIT

ODHF maintains a \$1,600,000 bank line of credit that matures February 2, 2009. Amounts borrowed under this agreement bears an interest rate of 2.00% over the bank's prime lending rate, which was 5.32% at the time the note was signed. As of June 30, 2008, there were no outstanding borrowings on the line of credit.

#### 5. SITE ACQUISITION FUNDING INITIATIVE (SAFI) NOTE PAYABLE

ODHF has a loan agreement with the DC Department of Housing and Community Development Site Acquisition Funding Initiative (SAFI) for Affordable Housing under the Housing Production Trust Fund Program. Under this agreement, ODHF has received \$9,000,000 from the District of Columbia at 0% interest per year. Any interest earned on the non-advanced funds is considered the property of the DC Department of Housing and Community Development. The money will be used to expand and support site acquisition financing for affordable housing in the District of Columbia. A local financial institution has agreed to participate in this program with ODHF by making available an additional \$5,000,000 at a rate starting below market to match DC funds on approved projects. ODHF has agreed to underwrite and manage all loans made under this program. The program terminates December 31, 2012, at which time the outstanding balance of the SAFI note payable is due in full. As of June 30, 2008, loans provided from the SAFI funds totaled \$9,000,000 and are also presented as notes receivable in the accompanying Statement of Financial Position.

The balance on the SAFI note payable, including interest earned on idle funds at June 30, 2008, was \$9,045,224 (\$9,000,000 as noncurrent SAFI note payable and \$45,224 in accrued interest payable).

#### 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2008:

Loan program - loans and enhancement worth	\$	150,000
Maryland State Tax Credits		15,000
Mummert Green Fund		<u>3,646</u>
	\$	<u><b>168,646</b></u>

**OPENDOOR HOUSING FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**6. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

During the year ended June 30, 2008, the following net assets were released from restrictions by incurring expenses thus satisfying the restricted purposes stipulated by the donors:

<b>Montgomery County Maryland</b>	<b>\$ <u>29,304</u></b>
-----------------------------------	-------------------------

**7. LEASE COMMITMENTS**

ODHF leases office space under a five-year agreement which commenced during February 2001. The base rent is \$36,495 per year, plus a proportionate share of expenses, to be increased by a factor of 3% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ended June 30,</u>	
2009	\$ 38,060
2010	39,201
2011	39,914
2012	<u>23,312</u>
	<b>\$ <u>140,487</u></b>

Occupancy expense for the year ended June 30, 2008 was \$42,854. The deferred rent liability as of June 30, 2008 totaled \$2,425.

**8. ADVERTISING**

ODHF expenses advertising costs at the time they are incurred. Advertising costs totaled \$35,478 during the year ended June 30, 2008.

**9. CONTINGENT LIABILITY**

On December 12, 2007, the former Executive Director of the Unitarian Universalist Affordable Housing Corporation (UUAHC) filed a complaint against UUAHC in the District Court of Maryland for Montgomery County (Knight v. UUAHC, case no. 060200285412007) alleging that UUAHC failed to pay the employee's accrued annual leave wages and employment bonus.

Subsequent to June 30, 2008, both parties settled out of court. The final settlement amount was \$11,750, and is recorded as current year payroll expense and as a liability in the accompanying financial statements.

## **OPENDOOR HOUSING FUND**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008**

#### **10. TRANSFER OF NET ASSETS**

ODHF was created on July 1, 2007 as a result of a merger between the Unitarian Universalist Affordable Housing Corporation (UUAHC) and the Washington Area Housing Trust Fund (WAHTF). The surviving entity (WAHTF) was renamed OpenDoor Housing Fund and all assets and liabilities of UUAHC as of July 1, 2007 were transferred to the newly formed organization. Total net assets of \$842,635 are reflected as an Other Item in the accompanying Statement of Activities and Change in Net Assets.