

THE RED DOOR PROJECT

FINANCIAL STATEMENTS

Year Ended December 31, 2022



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

THE RED DOOR PROJECT
FINANCIAL STATEMENTS
Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Red Door Project
Portland, Oregon

Opinion

We have audited the accompanying financial statements of The Red Door Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Red Door Project as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Red Door Project and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

To the Board of Directors
The Red Door Project

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 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 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 Red Door Project'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Red Door Project'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.

Report on Summarized Comparative Information

We have previously audited The Red Door Project's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern + Thompson, LLC

Portland, Oregon
May 24, 2023

THE RED DOOR PROJECT
STATEMENT OF FINANCIAL POSITION

December 31, 2022
(With Comparative Totals as of December 31, 2021)

ASSETS

	2022	2021
Cash	\$ 1,069,603	\$ 1,093,159
Grants and contributions receivable	130,199	110,439
Other assets	5,763	-
Total assets	\$ 1,205,565	\$ 1,203,598

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 37,595	\$ 12,208
Accrued payroll	14,798	22,645
Refundable advances	-	5,000
Total liabilities	52,393	39,853
Net assets		
Without donor restrictions	870,069	1,020,366
With donor restrictions	283,103	143,379
Total net assets	1,153,172	1,163,745
Total liabilities and net assets	\$ 1,205,565	\$ 1,203,598

See notes to financial statements.

THE RED DOOR PROJECT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(With Comparative Totals as of December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenues and other support				
Performance and training revenue	\$ 129,316	\$ -	\$ 129,316	\$ 61,600
Foundation and government support	69,960	442,961	512,921	630,239
Individual donations	298,441	-	298,441	611,663
In-kind donations	-	-	-	1,655
Investment income (loss)	2,229	-	2,229	-
	499,946	442,961	942,907	1,305,157
Net assets released from restriction	303,237	(303,237)	-	-
Total revenues and other support	803,183	139,724	942,907	1,305,157
Expenses				
Program services	560,420	-	560,420	498,197
Supporting services				
Management and general	244,827	-	244,827	251,654
Fund-raising	148,233	-	148,233	58,549
Total expenses	953,480	-	953,480	808,400
Change in net assets	(150,297)	139,724	(10,573)	496,757
Net assets, beginning of year	1,020,366	143,379	1,163,745	666,988
Net assets, end of year	\$ 870,069	\$ 283,103	\$ 1,153,172	\$ 1,163,745

See notes to financial statements.

THE RED DOOR PROJECT

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(With Comparative Totals as of December 31, 2021)

	Program Services	SUPPORTING SERVICES		Total	
		Management and General	Fundraising	2022	2021
Personnel expense	\$ 247,988	\$ 164,597	\$ 69,660	\$ 482,245	\$ 431,879
Contract / professional fees	254,650	62,701	60,797	378,148	324,691
Insurance	2,157	1,663	674	4,494	4,289
Printing / postage	854	125	507	1,486	1,394
Program expenses and curriculum development	20,597	4,609	9,348	34,554	11,667
Office	2,210	5,148	1,859	9,217	8,593
Travel and meetings	25,807	1,725	2,084	29,616	6,180
Marketing / advertising	850	35	2,109	2,994	8,685
Occupancy	4,981	4,107	1,147	10,235	9,350
Other	326	117	48	491	1,672
	\$ 560,420	\$ 244,827	\$ 148,233	\$ 953,480	\$ 808,400

See notes to financial statements.

THE RED DOOR PROJECT
STATEMENT OF CASH FLOWS

Year Ended December 31, 2022
(With Comparative Totals as of December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (10,573)	\$ 496,757
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in:		
Other assets	(5,763)	9,391
Grants and contributions receivable	(19,760)	(50,439)
Accounts payable	25,387	(10,256)
Accrued payroll	(7,847)	22,645
Refundable advances	(5,000)	(132,800)
Net cash provided by (used in) operating activities	(23,556)	335,298
Net change in cash	(23,556)	335,298
Cash, beginning of year	1,093,159	757,861
Cash, end of year	\$ 1,069,603	\$ 1,093,159

See notes to financial statements.

THE RED DOOR PROJECT
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – DESCRIPTION OF ORGANIZATION

The Red Door Project (the Organization) was founded as an independent not-for-profit organization incorporated under the laws of the State of Oregon in 2011.

The mission of The Red Door Project is to leverage the power of stories to change racial ecology.

The Primary program of the Organization is “The Evolve Experience”:

The Evolve Experience is an arts-based program that is designed for anyone seeking insight into the experiences of others, ways to address inequities in our justice system, and a path forward through today’s polarized climate. Evolve centers around performances that present the true stories of police officers, judges, and African American community members’ experiences at the intersection of race and policing. Our curriculum focuses on building skills that are crucial for successfully navigating change such as self-awareness, flexibility, curiosity and a willingness to grapple with complexity, and empowers participants to develop thoughtful strategies for navigating change and conflict. Evolve is currently delivered via live, online video workshop, and we are working to extend our suite of Evolve programs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

THE RED DOOR PROJECT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable, including unconditional promises to give, are uncollateralized and recognized as revenues in the period promised. An allowance for uncollectible grants and contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fund-raising activity. There are no receivables older than 90 days at December 31, 2022. Management has determined no allowance is necessary as of December 31, 2022.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. Expenses are charged to each program based on direct expenditures incurred. Support costs are allocated to a program based on the proportion of total direct program costs to total costs. Staff time is allocated to programs based on the estimated time spent on each program.

THE RED DOOR PROJECT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue streams that are accounted for as an exchange transaction include performance and training revenues.

With regard to revenues from all sources, the Organization evaluates whether each transfer of assets is (1) an exchange reciprocal transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- Exchange Transactions – If the transfer of assets is determined to be an exchange transaction, the Organization recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.
- Contributions and Grants – If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a release of a promisor's obligation to transfer assets.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE C – NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2022:

Subject to purpose restrictions:	
Program support	\$ 16,250
Time	<u>266,853</u>
	<u>\$ 283,103</u>

THE RED DOOR PROJECT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE D – IN-KIND CONTRIBUTIONS

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated. The Organization receives contributed services from volunteers who assist in program activities, fund-raising, and other activities. The value of such services has not been recognized on the accompanying financial statements because the criteria for recognition has not been met.

NOTE E – RETIREMENT PLAN

The Organization participates in a defined contribution 401(k) plan. Employees are eligible for participation on the date of hire, and become fully vested immediately. The Organization did not make a discretionary contribution to the retirement fund for the year ended December 31, 2022.

NOTE F – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2022:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,069,603
Grants and contributions receivable	<u>130,199</u>
Total financial assets	<u>1,199,802</u>
Less those unavailable for general expenditure within one year, due to:	
Donor-imposed purpose restrictions	<u>(16,250)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,183,552</u>

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE G – CONDITIONAL PROMISES TO GIVE

A portion of the Organization's revenue is derived from contracts and grants which are conditioned upon obtaining matching funds. Amounts received are recognized as revenue when the Organization has met certain requirements in compliance with specific contract or grant provisions. Amounts received prior to meeting conditions are reported as refundable advances in the statement of financial position. The Organization has \$122,000 of conditional promises to give that have not been recognized at December 31, 2022 because conditions, including hiring specific personnel and raising matching funds, have not been met.

THE RED DOOR PROJECT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE H – CONCENTRATION

During the year ended December 31, 2022, contributions from one donor represented approximately 51% of individual donation revenue.

Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balance in excess of insured limits was approximately \$755,000 at December 31, 2022. The Organization makes such deposits with high credit quality entities and has not incurred any credit related losses.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2023, which is the date the financial statements were available to be issued.