The Door - A Center of Alternatives, Inc.

Independent Auditor’s Report and Financial Statements

June 30, 2021

The Door - A Center of Alternatives, Inc.
June 30, 2021

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
The Door - A Center of Alternatives, Inc.
New York, New York

We have audited the accompanying financial statements of The Door - A Center of Alternatives, Inc. (The Door), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Door - A Center of Alternatives, Inc. as of June 30, 2021, 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.

Emphasis of Matters

The 2020 financial statements, before they were restated for the matters discussed in *Note 1*, were audited by other auditors, and their report thereon, dated May 13, 2021, expressed an unmodified opinion with an emphasis of matters paragraph that described a change in accounting principles for contributions. Our opinion is not modified with respect to this matter.

As described in *Note 2* to the financial statements, during the year ended June 30, 2021, The Door - A Center of Alternatives, Inc. adopted new accounting guidance regarding recognition of revenue with customers. Our opinion is not modified with respect to the matter.

As discussed in *Note 17* to the financial statements, The Door settled a joint civil investigation brought by Southern District of New York and the New York Attorney General. Our opinion is not modified with respect to this matter.

FORVIS, LLP

New York, New York
February 24, 2023

The Door - A Center of Alternatives, Inc.
Statement of Financial Position
June 30, 2021

Assets

Cash and cash equivalents	$ 514,270
Investments	39,907,853
Government grants and contracts receivables, net	7,220,701
Accounts receivable	200,052
Due from former affiliate	757,975
Contributions receivable, net	2,799,000
Prepaid expenses and other assets	255,634
Property and equipment, net	13,511,310
Total assets	$ 65,166,795

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 2,113,152
Accrued payroll and related liabilities	1,410,266
Amounts held for others	559,431
Due to related parties	654,418
Note payable	1,400,000
Refundable advance	2,547,020
Due to government agencies	12,947,812
Total liabilities	21,632,099
Net Assets	
Without donor restrictions	38,542,395
With donor restrictions	4,992,301
Total net assets	43,534,696
Total liabilities and net assets	$ 65,166,795

The Door - A Center of Alternatives, Inc.
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Support			
Private and government support:			
Private contributions	$ 1,027,624	$ -	$ 1,027,624
Foundation and corporate contributions	1,585,829	6,126,602	7,712,431
Contributed services	1,339,200	-	1,339,200
Special events, net of expenses of $58,497	762,533	-	762,533
Government grants and contracts	-	15,266,878	15,266,878
Total private and government support	4,715,186	21,393,480	26,108,666
Other operating revenues:			
Clinic fees	1,787,969	-	1,787,969
Condo management fees	192,000	-	192,000
Broome Street Academy management fees	662,547	-	662,547
Rental income, net	520,512	-	520,512
Interest and dividends	1,007,844	-	1,007,844
Total other operating revenues	4,170,872	-	4,170,872
Net assets released from restrictions for operations	19,228,022	(19,228,022)	-
Total operating revenues and other support	28,114,080	2,165,458	30,279,538
Operating Expenses			
Program services:			
Mental health and personal development	6,113,185	-	6,113,185
Career and education services	7,678,048	-	7,678,048
Health center	4,838,328	-	4,838,328
Legal	5,190,421	-	5,190,421
Nutrition	330,778	-	330,778
Total program services	24,150,760	-	24,150,760
Supporting services			
Management and general	11,047,960	-	11,047,960
Fundraising	793,162	-	793,162
Total support services	11,841,122	-	11,841,122
Total operating expenses	35,991,882	-	35,991,882
Change in net assets from operations	(7,877,802)	2,165,458	(5,712,344)
Non-operating Revenue and Losses			
Miscellaneous	11,333	-	11,333
Realized and unrealized gains on investments	7,043,665	-	7,043,665
Settlement loss	(12,947,812)	-	(12,947,812)
Total non operating revenues	(5,892,814)	-	(5,892,814)
Change in Net Assets Before Other Items	(13,770,616)	2,165,458	(11,605,158)
Separation settlement expense	(6,736,722)	-	(6,736,722)
Change in Net Assets	(20,507,338)	2,165,458	(18,341,880)
Net Assets, Beginning of Year, as Previously Reported	57,533,559	4,768,455	62,302,014
Adjustment applicable to prior years	1,516,174	(1,941,612)	(425,438)
Net assets, Beginning of Year, as Restated	59,049,733	2,826,843	61,876,576
Net Assets, End of Year	$ 38,542,395	$ 4,992,301	$ 43,534,696

The Door - A Center of Alternatives, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services						Supporting Services			
	Mental Health and Personal Development	Career and Education Services	Health Center	Legal	Nutrition	Total Program Services	Management and General	Fundraising	Direct Cost of Special Events	Total Expenses
Salaries and related benefits	$ 3,191,936	$ 4,188,650	$ 2,871,100	$ 2,472,070	$ 172,452	$ 12,896,208	$ 2,785,961	$ 507,838	$ -	$ 16,190,007
Payroll taxes and employee benefits	1,036,190	1,534,571	918,773	784,273	48,413	4,322,220	782,579	126,849	-	5,231,648
Total salaries and related expenses	4,228,126	5,723,221	3,789,873	3,256,343	220,865	17,218,428	3,568,540	634,687	-	21,421,655
Professional fees	673,283	496,173	197,515	92,014	26,754	1,485,739	2,001,073	33,421	-	3,520,233
In-kind legal	-	-	-	1,339,200	-	1,339,200	-	-	-	1,339,200
Grants expense	330,052	-	-	-	-	330,052	-	-	-	330,052
Occupancy	119,382	457,662	159,444	98,773	11,773	847,034	476,538	23,848	-	1,347,420
Office and miscellaneous expenses	43,544	55,035	214,000	43,600	32,233	388,412	247,610	15,791	-	651,813
Youth events and wrap around moneys	281,507	57,770	11,137	18,638	-	369,052	41,297	91	-	410,440
Equipment maintenance	74,640	116,446	131,137	29,294	727	352,244	238,681	22,990	-	613,915
Stipends and incentives	9,086	376,067	9,617	265	7,992	403,027	25,413	-	-	428,440
Equipment purchased	31,677	47,481	7,557	22,565	657	109,937	208,664	8,376	-	326,977
Conferences and meetings	12,710	35,456	6,101	43,826	-	98,093	108,887	637	-	207,617
Telephone	67,543	77,224	52,114	19,837	850	217,568	183,145	12,419	-	413,132
Food	5,921	1,523	108	805	15,713	24,070	5,463	-	-	29,533
Insurance	17,211	27,086	27,850	38,010	984	111,141	6,505	2,074	-	119,720
Membership and travel	14,462	2,657	12,765	6,266	-	36,150	123,958	269	-	160,377
Event productions	-	-	-	-	-	-	-	-	58,497	58,497
Bad debt expense	-	-	-	-	-	-	3,466,846	-	-	3,466,846
Total expenses before depreciation	5,909,144	7,473,801	4,619,218	5,009,436	318,548	23,330,147	10,702,620	754,603	58,497	34,845,867
Depreciation	204,041	204,247	219,110	180,985	12,230	820,613	345,340	38,559	-	1,204,512
Total expenses	6,113,185	7,678,048	4,838,328	5,190,421	330,778	24,150,760	11,047,960	793,162	58,497	36,050,379
Less expenses deducted directly from revenues										
Direct cost of special events	-	-	-	-	-	-	-	-	(58,497)	(58,497)
Total expenses reported by functions on the statement of activities	$ 6,113,185	$ 7,678,048	$ 4,838,328	$ 5,190,421	$ 330,778	$ 24,150,760	$ 11,047,960	$ 793,162	$ -	$ 35,991,882

The Door - A Center of Alternatives, Inc.
Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Change in net assets	$ (18,341,880)
Items not requiring (providing) operating cash flows	
Depreciation and amortization	1,204,512
Realized and unrealized gains on investments	(7,043,665)
Contributions and investment income received restricted for acquisition of long-lived assets	(50,000)
Bad debt expense	3,466,846
Forgiveness of amounts due from former affiliates	1,336,721
Separation fee	5,400,000
Changes in	
Government grants and other receivables	(613,688)
Accounts receivable	(200,052)
Due to/from related parties	1,882,585
Due from former affiliates	(2,094,696)
Contributions receivable	(2,244,331)
Prepaid expenses and other assets	443,219
Accounts payable and accrued expenses	636,092
Accrued vacation	(608,527)
Due to government agencies	12,947,812
Net cash used in operating activities	(3,879,052)
Investing Activities	
Proceeds from sale of investments	6,958,992
Purchases of investments	(1,403,397)
Purchases of equipment	(860,357)
Proceeds from contributions for long-lived assets	50,000
Net cash provided by investing activities	4,745,238
Financing Activities	
Payments made on separation	(2,000,000)
Payments made on related party note payable	(2,000,000)
Net cash used in financing activities	(4,000,000)
Decrease in Cash and Cash Equivalents	(3,133,814)
Cash and Cash Equivalents, Beginning of Year	3,648,084
Cash and Cash Equivalents, End of Year	$ 514,270
Supplemental Cash Flow Information	
Issuance of note payable	$ 3,400,000

Note 1: Nature and Purpose of Organization

The Door - A Center of Alternatives, Inc. (The Door) is a multi-service youth development agency, founded in 1972, with the goal of providing a full range of integrated services to any adolescent between the ages of 12 and 21. Each year, thousands of young people come to The Door for primary, reproductive and prenatal healthcare; career development and job placement services; mental health counseling; legal services; Graduate Equivalent Degree and English as a Second Language classes; leadership development; tutoring and homework help; college preparation and computer classes; daily meals; art; music instruction and more.

The primary programs of The Door include providing the following services: mental health and personal development, career and education, health center, legal, and nutrition. The Door's revenues and other support are derived principally from contributions and government grants.

Prior to the separation agreement (see *Note 20*), University Settlement Society (USS) was the sole member of The Door. The organizations had a Management Services agreement, whereby The Door paid USS for services related to executive leadership, Finances, Facilities, HR, IT, and Development. The organizations additionally entered into joint agreements with certain vendors where costs were shared and paid by one entity pending reimbursement by the other.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Door considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, are not considered to be cash and cash equivalents. At June 30, 2021, cash equivalents consisted primarily of money market accounts with banks.

At June 30, 2021, The Door's cash accounts exceeded federally insured limits by approximately $276,000.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers, of which The Door has an unconditional right to receive. The Door provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Interest income is not accrued or recorded on outstanding accounts receivable. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The allowance for doubtful accounts was $2,100,000 as of June 30, 2021.

Investments and Net Investment Return

The Door measures securities at fair value.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment acquisitions over $5,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5–50 years
Furniture, fixtures, and equipment	3–10 years

Long-Lived Asset Impairment

The Door evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to The Door either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on The Door overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed legal services received for the year ended June 30, 2021 was $1,339,200.

Government Grants and Contracts

Support funded by grants is recognized as The Door meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Payments received in excess of revenue earned are recorded as advances under government grants. Management has recorded an allowance for doubtful accounts on grants receivables of approximately $2,140,000.

Change in Net Assets from Operations

Change in net assets from operations includes all revenues and expenses except for rental income, realized and unrealized gains on investments, and other activities considered to be of an unusual or nonrecurring nature.

Income Taxes

The Door is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, The Door is subject to federal income tax on any unrelated business taxable income.

The Door files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on square footage, time and effort, and other methods.

Restatement of Prior Year's Financial Statements

Beginning net assets have been restated for errors in the timing of recognition of contributions and the classification of contributions without donor restrictions. Additionally, beginning net assets have been restated for the removal of capitalized assets related to a project abandoned in a prior year, as well as the depreciation of those capitalized assets. These restatements increased beginning net assets without donor restrictions by $1,516,174, reduced beginning net assets with donor restrictions by $1,941,612, and reduced total net assets by $425,438. The restatement increased changes in net assets of the year ended June 30, 2020 by $843,499.

Additionally, the presentation of the measurement of fair value related to hedge funds and limited partnerships as shown in *Note 7* was corrected to be Net Asset Value (NAV), rather than Level 3 in the fair value hierarchy.

Note 2: Change in Accounting Principle

On July 1, 2020, The Door adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), ASU 2014-09 using a modified retrospective method of adoption to all contracts with customers at July 1, 2020.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which The Door expects to be entitled in exchange for those goods or services.

The amount to which The Door expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in additional disclosures in the notes to the financial statements.

Note 3: Revenue from Contracts with Customers

Clinic Fees

Revenue from contracts with customers for clinic fees is reported at the amount that reflects the consideration to which The Door expects to be entitled in exchange for providing health care services. These amounts are due from third-party payors (including health insurers and governmental programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, The Door bills third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Management Fees

Revenue from contracts with customers for management fees is reported at the amount that reflects the consideration to which The Door expects to be entitled in exchange for providing management services. These amounts are due from customers. Revenue is recognized as performance obligations are satisfied, which is ratably over the term of the agreement. The Door believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Transaction Price and Recognition

The Door determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, and implicit price concessions provided to uninsured customers. The Door determines its estimates of explicit price concessions based on its discount policies. The Door determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

From time to time, The Door will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021, there was no refund liability.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the year ended June 30, 2021, there was no additional revenue recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

The Door has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, governmental programs and others) that have different reimbursement and payment methodologies

- The Door's line of business that provided the service

For the year ended June 30, 2021, The Door recognized revenue of $2,642,516 from services that transfer to the customer over time.

Contract Balances

The following table provides information about The Door's receivables, contract assets and contract liabilities from contracts with customers:

Accounts receivable, beginning of year	$	469,807
Accounts receivable, end of year		351,264

Financing Component

The Door has elected the practical expedient allowed under FASB Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from clients and third parties for the effects of a significant financing component due to The Door's expectation that the period between the time the service is provided to a client and the time the client or a third-party payor pays for that service will be one year or less.

Contract Costs

The Door has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental client contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that The Door otherwise would have recognized is one year or less in duration.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

Due within one year	$ 1,859,500
Due within one to five years	939,500
	2,799,000
Less unamortized discount	-
	$ 2,799,000

Discount for contributions were deemed immaterial and therefore not recognized for 2021.

The difference between the amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible amounts.

Note 5: Government Contracts Receivable and Future Commitments

Government grants received are conditional upon incurring allowable expenditures as specified in the contract. The Door receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of The Door are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2021, have been recorded as receivables. Following are the grant commitments that extend beyond June 30, 2021:

Grant	Term	Grant Amount	Earned/ Forfeited Through 2021	Funding Available
Department of Health and Human Services	9/30/20 – 9/29/21	$ 469,196	$ 134,438	$ 334,758
NYC Department of Mental Health and Hygiene	1/1/21 – 12/31/21	70,000	18,048	51,952
Family Health Centers at NYU Langone	1/1/21 – 12/31/21	242,500	106,793	135,707
NYS Department of Health	3/1/21 – 3/31/22	1,051,980	250,755	801,225
The City University of New York	9/11/17 – 6/30/23	6,325,000	5,869,227	455,773
		$8,158,676	$6,379,261	$1,779,415

Note 6: CARES Act Provider Relief Fund

The Provider Relief Fund (PRF) was created by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) to support health care providers across the United States through the distribution of $175 billion in relief funds by HHS. During the year ended June 30, 2021, The Door expended $128,084 in distributions received from the Provider Relief Fund.

These distributions from the PRF are not subject to repayment, provided The Door is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Door accounts for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the PRF, and the effect of the COVID-19 pandemic on The Door's revenues and expenses through June 30, 2021, The Door recognized $128,084 during the year ended June 30, 2021 related to the distributions received from the PRF. These amounts are recorded as grant revenue in the accompanying statement of activities.

The Door will continue to monitor compliance with the terms and conditions of the PRF and the effect of the pandemic on The Door's revenues and expenses. The terms and conditions governing the PRF are complex and subject to interpretation and change. If The Door is unable to attest to or comply with current or future terms and conditions The Door's ability to retain some or all of the distributions received may be affected. PRF payments are subject to government oversight, including potential audits.

Note 7: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021:

		Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV[(A)]
Mutual funds					
Equities	$ 23,295,193	$ 23,295,193	$ -	$ -	$ -
Fixed income	9,951,040	9,951,040	-	-	-
Exchange traded funds	1,932,672	1,932,672	-	-	-
Hedge funds	833,309	-	-	-	833,309
Limited partnerships	3,472,058	-	-	-	3,472,058
Total investments at fair value	39,484,272	$ 35,178,905	$ -	$ -	$ 4,305,367
Cash and cash equivalents	423,581				
Total investments	$ 39,907,853				

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Period Notice
Hedge funds (A)	$ 833,309	$ -	Monthly/ Quarterly/ Semi-Annually	50–95 days
Limited partnerships (B)	3,472,058	-	N/A	N/A

(A) Investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds’ composite portfolio includes investments in U.S. and global securities, global real estate projects and arbitrage investments.

(B) Investments in partnerships that seek to build a diversified multi-vintage year private equity portfolio focused on investments in corporate finance, venture capital, growth equity, and real estate.

Note 8: Property and Equipment

Property and equipment at June 30, 2021:

Land	$ 832,400
Buildings and improvements	26,473,449
Furniture and equipment	3,302,939
Construction in progress	101,531
	30,710,319
Less accumulated depreciation and amortization	(17,199,009)
	$ 13,511,310

Note 9: Funds Held for Others

During fiscal year 2019, The Door abandoned a project to expand the building. However, the developer’s obligations were not fully satisfied, and funds were transferred to The Door to cover the estimated remaining amount of $1,030,258. Of these costs, $559,431 has not yet been paid and is included as funds held for others on the statement of financial position.

Note 10: Line of Credit

The Door has a $10,000,000 revolving line of credit expiring on December 31, 2021. At June 30, 2021, there were no borrowings against this line. The line is collateralized by a portion of The Door's investment assets. Interest varies with the Variable Interest Rate plus the Applicable Variable Rate Margin of 1.2%, and is payable monthly. The Variable Interest Rate is a floating rate of interest that is subject to change daily. Upon expiration, the line of credit was not renewed.

Note 11: Lease Commitments and Revenue

Noncancellable operating leases for office space expire in various years through 2023. These leases generally contain renewal options for periods up to five years and require The Door to pay all executory costs (property taxes, maintenance, and insurance). A portion of the leased space is subleased under a lease expiring over the next year.

Future minimum lease payments at June 30, 2021 were:

2022	$ 148,962
2023	13,542
	$ 162,504

Rent expense for the year ended June 30, 2021 was $261,165.

Minimum future rentals receivable under noncancellable operating subleases at June 30, 2021 were:

2022	$ 800,748
2023	824,769
	$ 1,625,517

Note 12: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Career and education services	$ 1,390,612
Counseling, housing, and arts	310,620
Legal	337,069
Promises to give, the proceeds of which have been restricted by donors for	
Career and education services	1,879,000
Counseling, housing, and arts	85,000
Health	65,000
	4,067,301
Subject to the passage of time	
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	625,000
Cash reserve fund	300,000
Net assets with donor restrictions	$ 4,992,301

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

Undesignated for general use	$ (6,741,329)
Designated by the Board for special purposes	31,772,414
Invested in property and equipment, net of related debt	13,511,310
Net assets without donor restrictions	$ 38,542,395

Note 13: Related-Party Transactions

In June 2011, The Door helped launch Broome Street Academy Charter High School (BSA) by working with BSA's founding board to complete the application process to be authorized by SUNY Charter Schools Institute. Broome Street Academy received authorization from SUNY in October 2010 and became a 501 (c)(3) registered organization in September 2011. The Door, which is the sole member of BSA, continues to support the school with administrative support (fiscal, development, and human resources). As of the year ended June 30, 2021, The Door owed BSA a balance of $654,418, which is included as due to related parties on the statement of financial position.

In July 2012, The Door and BSA entered into a management agreement. Under the terms of the agreement, The Door will provide management and administrative services to BSA for a fee. Management fees of $417,981 were charged to BSA for the fiscal year ended June 30, 2021. Additionally, BSA paid to The Door $244,566 for shared services during the year ended June 30, 2021.

In May 2011, The Door and BSA entered into a lease agreement for The Door to provide leased space to BSA through June 30, 2021. The Door received rental income of $520,512 for the year ended June 30, 2021, and incurred related expenses of $157,613 in 2021. The lease was extended, and is set to expire on June 30, 2023.

During the year ended June 30, 2021, The Door and BSA held a joint special fundraising event. The Door's gross share of revenue from this event amounted to $821,030 in 2021. The Door reported its share of revenue from this special event in the statement of activities, net of its share of expenses of $58,497 for the year ended June 30, 2021.

The Door owns 82.94% of the units of the 121 6th Avenue Condominium (the Condominium). The Door was assessed $474,684 in condominium fees for the year ended June 30, 2021. The Door provides management services to the Condominium and received $192,000 in management fees for the year ended June 30, 2021.

Note 14: Cash Reserve

On December 12, 1988, De Witt Wallace Reader's Digest Fund, Inc. (DWRD) entered into an agreement with The Door to establish a $300,000 cash reserve fund. The fund was established by a $300,000 gift from DWRD, which DWRD designated as a fund that would exist in perpetuity. The Door is allowed to draw on the principal of the fund to meet temporary cash flow needs provided, however, that by December 31 of each year, the principal of the fund is restored to its original balance. There were no borrowings against the fund during the year ended June 30, 2021.

Any earnings of the fund are to be maintained in the fund and are to be used to reduce the amount that must be repaid to the fund to restore it to its original amount. The only condition of the fund is that it may not be transferred to another institution by merger, consolidation, liquidation, or bankruptcy. Should any of those events take place, then the fund shall be transferred to another institution designated by DWRD. DWRD was informed of the affiliation agreement between The Door and USS and has agreed that the agreement will not result in The Door having to transfer the fund.

Note 15: Collective Bargaining Agreement

Substantially all of The Door's non-management employees are covered by a collective bargaining agreement. The collective bargaining agreement was renewed in November 2019. The agreement with New York's Health and Human Services Union 1199 was effective for the period July 1, 2019 to June 30, 2021. Subsequent to year-end, this agreement was extended with an expiration date of June 30, 2022. Negotiations are currently in process to extend the agreement for an additional period.

Note 16: Retirement Plans

The Door provides a retirement annuity program for all employees who meet the two-year continuous service requirement. The Door contributes toward an annuity contract for each eligible employee an amount equal to 6% of the employee's annual salary for employees that are actively contributing to the plan and 3% of the employee's annual salary for employees that are not actively contributing to the plan. The Door's expense related to this plan for the year ended June 30, 2021 was $500,807.

Note 17: Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentrations

During the year ended June 30, 2021, approximately 81% of government grant revenue was earned from five agencies, and approximately 31% of contributions were received from two donors.

As of June 30, 2021, approximately 72% of government grant receivables were due from four agencies, and approximately 85% of pledges receivable were due from three donors.

Investments

The Door invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Litigation

On January 31, 2022, The Door settled a joint civil investigation brought by the United States Attorney for the Southern District of New York and the New York Attorney General as well as related civil litigation under the federal and New York State false claims statutes. The settlement related to The Door's applications for, and receipt of, annual uncompensated care pool awards from the New York State Department of Health for services that The Door's Adolescent Health Center furnished to uninsured indigent patients over the 2008 to 2015 fiscal years when The Door was under the governance and management control of a separately incorporated New York not-for-profit organization, which provided The Door with comprehensive back-office services as part of a corporate member relationship. The responsible individuals were never employees of The Door, and no current employee of The Door had responsibility for making, auditing, or approving the regulatory filings. In return for payment of $12,947,812, The Door has received a full release of civil monetary liabilities for the matters investigated.

Note 18: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	$ 514,270
Investments	39,907,853
Government grants and contracts receivables, net	7,220,701
Accounts receivable	200,052
Due from former affiliates	757,975
Contributions receivable, net	2,799,000
Total financial assets at year-end	51,399,851
Less amounts unavailable for general operations	
Donor-imposed purpose restrictions	(4,067,301)
Cash reserve fund	(300,000)
Designated by the Board for special purposes	(31,772,414)
Pledges receivable without purpose restrictions due in greater than one year	(250,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,010,136

The Door receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The fiscal policy of The Door is to maintain financial assets to meet 90 days of operating expenses, net of in-kind expense. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and other liquid investment securities. In addition, The Door has a committed line of credit, described in *Note 10*, which it could draw upon.

Note 19: Refundable Advance – Paycheck Protection Program

On March 27, 2020, President Trump signed into law the CARES Act. On April 23, 2020, The Door received the Paycheck Protection Program (PPP) loan under the CARES Act, as set forth in March 2020, in the amount of $2,547,020. The Door used all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. The Door concluded the PPP loan is in-substance a government grant, therefore, it is recorded as a conditional contribution pursuant to ASC Topic 958-605. The contribution is recorded as a liability and will be recognized as revenue if and when the conditions have been met.

On September 3, 2021, The Door received full forgiveness from the Small Business Administration that they fully satisfied the conditions on the grant.

Note 20: Separation Agreement

On October 30, 2020, The Door entered into a separation agreement with USS, which stated that USS has resigned as the sole member of The Door, and the parties undertook a process to unwind the practice of sharing certain services. The parties agreed to extend the existing arrangement between The Door and USS to the provision of certain administrative services until June 30, 2021. As part of the consideration for the transaction, The Door agreed to pay to USS an amount equal to $5,400,000 comprised of a $2,000,000 initial payment, and a $3,000,000 note payable. As of June 30, 2021, $2,000,000 had been paid on the note payable, and the remaining balance of $1,400,000 is included as a note payable on the statement of financial position and is due August 2021. As of the date of the audit report, this amount is not yet paid. The Door also forgave the amount due for shared services as of June 30, 2020, in the amount of $1,336,721. Accumulated amounts incurred since the date of forgiveness through June 30, 2021 are $757,975, and are include within due from former affiliate on the statement of financial position. In addition, the entities have released each other from certain ordinary-course claims arising in connection with the transaction; all other activities to implement the transaction; and actions, inactions, events, omissions, conditions, facts, or circumstances occurring or existing at or prior to the Resignation Effective Time.

Note 21: Subsequent Events

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

Note 22: Future Changes in Accounting Principles

Contributed Nonfinancial Assets

On September 17, 2020, FASB issued ASU 2020-07, Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The Door is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.