Financial Statements with Report of Independent Auditors Thereon

New Door Ventures

For the Years Ended
December 31, 2018 and 2017

SD Mayer & Associates LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94104

415 691 4040 main

sdmayer.com

SDMAYER
accounting + advisory for life™

SD Mayer & Associates LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94104

415 691 4040 main

sdmayer.com

SDMAYER
accounting + advisory for life™

New Door Ventures

Financial Statements

For the years ended December 31, 2018 and 2017

With Report of Independent Auditors

C O N T E N T S

SD Mayer & Associates LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94104

415 691 4040 main

sdmayer.com

SDMAYER
accounting + advisory for life™

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
New Door Ventures
San Francisco, California

We have audited the accompanying financial statements of New Door Ventures (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits 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.

SD Mayer & Associates LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94104
415 691 4040 main
sdmayer.com

SDMAYER
accounting + advisory for life™

REPORT OF INDEPENDENT AUDITORS - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Door Ventures as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

San Francisco, California

S D Mayer & Associates, LLP

June 17, 2019

New Door Ventures
Statements of Financial Position
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
Assets:		
Cash and cash equivalents	$ 945,956	$ 1,915,987
Investments, at fair value	2,281,874	2,289,278
Accounts receivable, net	944,824	322,918
Contracts and grants receivable	412,498	240,506
Unconditional promises to give, net	25,000	477,252
Inventory, net	240,460	253,247
Prepaid expenses and other assets	403,545	395,708
Deposits	5,495	5,495
Property and equipment, net of accumulated depreciation and amortization	5,747,579	5,893,726
Total Assets	$ 11,007,231	$ 11,794,117
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 434,072	$ 388,875
Long-Term Debt	1,839,315	1,887,044
Total Liabilities	2,273,387	2,275,919
Net Assets:		
Without donor restrictions	8,658,844	9,038,198
With donor restrictions	75,000	480,000
Total Net Assets	8,733,844	9,518,198
Total Liabilities and Net Assets	$ 11,007,231	$ 11,794,117

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Activities
For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Revenue:			
Enterprise revenue	$ 2,521,298	$ -	$ 2,521,298
Government grants	737,778	-	737,778
Investment income (loss)	(14,077)	-	(14,077)
Fundraising event, net of costs	(4,602)	-	(4,602)
Other income (expense)	13,954	-	13,954
Support:			
Contributions	1,870,385	-	1,870,385
In-Kind Donations	82,139	-	82,139
Foundation grants	550,536	550,000	1,100,536
Net assets released from restrictions	955,000	(955,000)	-
Total Revenue and Support	6,712,411	(405,000)	6,307,411
Expenses:			
Program Services:			
Ashbury Images	2,444,332	-	2,444,332
Pedal Revolution	839,590	-	839,590
Education	242,604	-	242,604
Youth employment-San Francisco	1,982,012	-	1,982,012
Youth employment-East Bay	425,502	-	425,502
Total Program Services	5,934,040	-	5,934,040
Supporting Services:			
Fundraising	712,528	-	712,528
General and administrative	445,197	-	445,197
Total Supporting Services	1,157,725	-	1,157,725
Total Expenses	7,091,765	-	7,091,765
Changes in Net Assets	(379,354)	(405,000)	(784,354)
Net Assets, beginning of year	9,038,198	480,000	9,518,198
Net Assets, end of year	$ 8,658,844	$ 75,000	$ 8,733,844

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Activities
For the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Revenue:			
Enterprise revenue	$ 2,466,674	$ -	$ 2,466,674
Government grants	784,030	-	784,030
Investment income (loss)	38,092	-	38,092
Fundraising event, net of costs	(13,410)	-	(13,410)
Other income (expense)	(1,074)	-	(1,074)
Support:			
Contributions	1,883,803	-	1,883,803
In-Kind Donations	88,253	-	88,253
Foundation grants	534,713	935,000	1,469,713
Net assets released from restrictions	680,000	(680,000)	-
Total Revenue and Support	6,461,081	255,000	6,716,081
Expenses:			
Program Services:			
Ashbury Images	2,392,469	-	2,392,469
Pedal Revolution	840,050	-	840,050
Education	176,994	-	176,994
Youth employment	1,789,369	-	1,789,369
Total Program Services	5,198,882	-	5,198,882
Supporting Services:			
Fundraising	743,367	-	743,367
General and administrative	572,711	-	572,711
Total Supporting Services	1,316,078	-	1,316,078
Total Expenses	6,514,960	-	6,514,960
Changes in Net Assets	(53,879)	255,000	201,121
Net Assets, beginning of year	9,092,077	225,000	9,317,077
Net Assets, end of year	$ 9,038,198	$ 480,000	$ 9,518,198

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statements of Cash Flows
For the years ended December 31, 2018 and 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in Net Assets	$	(784,354)	$	201,121
Non-cash Items:				
Depreciation and amortization		171,942		186,655
Unrealized gain on investments				-
Stock donation		(71,047)		(71,892)
Amortization of discount on promises to give		-		2,748
(Increase) decrease in operating assets:				
Contracts and grants receivable		(171,992)		(116,264)
Accounts receivable		(621,906)		(146,673)
Unconditional promises to give, net		452,252		(450,000)
Inventory		12,787		5,751
Prepaid expenses and other assets		(7,837)		(85,945)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		45,199		(2,653)
Net cash used in operating activities		(974,956)		(477,152)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment		(25,797)		(79,116)
Purchases of investments		-		(352,777)
Reinvested dividends		(8,885)		-
Proceeds from sale of investments		87,336		59,405
Net cash provided by (used in) investing activities		52,654		(372,488)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of long-term debt		(47,729)		(46,315)
Net cash used in financing activities		(47,729)		(46,315)
Net decrease in cash and cash equivalents		(970,031)		(895,955)
Cash and cash equivalents, beginning of year		1,915,987		2,811,942
Cash and cash equivalents, end of year	$	945,956	$	1,915,987
Supplementary disclosure of cash flow information:				
Cash paid during the year for interest	$	56,172	$	57,582
Non-cash donations	$	82,139	$	88,253

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2018

	Program Services						Supporting Services			
	Ashbury Images	Pedal Revolution	Education	Youth Employment San Francisco	Youth Employment East Bay	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Personnel	$ 888,625	$ 354,819	$ 130,931	$ 1,276,348	$ 212,660	$ 2,863,383	$ 432,612	$ 259,299	$ 691,911	$ 3,555,294
Employer payroll taxes	69,969	22,677	9,633	89,429	19,671	211,379	31,225	14,715	45,940	257,319
Employee benefits	112,456	24,651	4,410	131,478	20,477	293,472	32,654	47,481	80,135	373,607
Conferences	-	-	-	-	-	-	-	5,248	5,248	5,248
Consultants and outside services	28,894	15,317	7,441	95,147	68,901	215,700	130,443	43,121	173,564	389,264
Depreciation and amortization	17,942	14,000	23,333	93,333	-	148,608	11,667	11,667	23,334	171,942
Equipment/repairs	9,615	-	1,361	4,809	2,434	18,219	1,524	2,783	4,307	22,526
Fees and dues	33,901	18,257	6	4,456	12	56,632	1,235	3,507	4,742	61,374
Insurance	56,521	20,710	2,864	22,765	8,524	111,384	10,118	5,824	15,942	127,326
Interest	-	-	9,548	42,131	-	51,679	-	4,493	4,493	56,172
Maintenance/utilities	56,590	14,247	7,544	30,973	-	109,354	3,884	4,122	8,006	117,360
Miscellaneous	11,960	5,840	311	3,270	-	21,381	146	1,077	1,223	22,604
Occupancy	162,647	-	-	-	8,237	170,884	-	30	30	170,914
Office supplies	14,865	786	484	11,591	813	28,539	4,746	3,977	8,723	37,262
Outreach and promotions	6,723	618	-	2,095	-	9,436	41,272	6,679	47,951	57,387
Postage and shipping	56,591	4,239	45	419	34	61,328	2,021	121	2,142	63,470
Printing and copying	-	-	-	-	-	-	976	52	1,028	1,028
Program cost of goods sold	903,709	337,634	-	-	-	1,241,343	-	-	-	1,241,343
Program supplies	-	-	57	59,789	27,147	86,993	118	10	128	87,121
Staff and board	1,838	2,129	37,970	6,983	29,337	78,257	1,859	18,671	20,530	98,787
Telephone	5,666	3,616	1,339	21,397	1,773	33,791	3,970	3,796	7,766	41,557
Transportation	5,820	50	5,327	85,599	25,482	122,278	2,058	8,524	10,582	132,860
Total Expenses	$ 2,444,332	$ 839,590	$ 242,604	$ 1,982,012	$ 425,502	$ 5,934,040	$ 712,528	$ 445,197	$ 1,157,725	$ 7,091,765

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2017

	Program Services					Supporting Services			
	Ashbury Images	Pedal Revolution	Education	Youth Employment	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Personnel	$ 818,778	$ 323,605	$ 99,314	$ 1,113,684	$ 2,355,381	$ 488,335	$ 356,428	$ 844,763	$ 3,200,144
Employer payroll taxes	65,967	20,422	8,045	81,758	176,192	29,500	22,153	51,653	227,845
Employee benefits	93,930	29,543	(337)	104,169	227,305	48,349	52,030	100,379	327,684
Conferences	-	-	-	-	-	-	1,130	1,130	1,130
Consultants and outside services	48,235	9,724	4,643	79,492	142,094	101,243	54,906	156,149	298,243
Depreciation and amortization	39,917	13,130	8,360	91,846	153,253	16,701	16,701	33,402	186,655
Equipment/repairs	13,837	661	1,764	6,351	22,613	2,721	3,031	5,752	28,365
Fees and dues	28,539	19,847	-	5,028	53,414	946	8,429	9,375	62,789
Insurance	59,418	17,236	2,753	26,611	106,018	10,064	5,363	15,427	121,445
Interest	-	-	3,188	47,196	50,384	-	7,198	7,198	57,582
Maintenance/utilities	50,419	15,602	2,183	24,390	92,594	4,558	4,512	9,070	101,664
Miscellaneous	13,314	5,425	-	2,860	21,599	474	477	951	22,550
Occupancy	163,067	-	-	-	163,067	-	-	-	163,067
Office supplies	16,341	2,788	458	12,095	31,682	5,577	5,957	11,534	43,216
Outreach and promotions	28,983	1,489	-	1,972	32,444	22,080	4,062	26,142	58,586
Postage and shipping	46,294	2,208	86	692	49,280	2,020	333	2,353	51,633
Program cost of goods sold	887,388	372,315	-	-	1,259,703	-	-	-	1,259,703
Program supplies	-	-	-	48,887	48,887	-	250	250	49,137
Staff and board	3,611	2,452	46,503	38,195	90,761	3,891	18,019	21,910	112,671
Telephone	9,338	3,380	997	15,938	29,653	3,836	3,004	6,840	36,493
Transportation	5,093	223	(963)	88,205	92,558	3,072	8,728	11,800	104,358
Total Expenses	$ 2,392,469	$ 840,050	$ 176,994	$ 1,789,369	$ 5,198,882	$ 743,367	$ 572,711	$ 1,316,078	$ 6,514,960

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

Founded in 1981, New Door Ventures is a 501(C)(3) tax-exempt organization serving San Francisco and the East Bay. New Door prepares opportunity youth for work and life by providing training in work and life-skills, educational support, individualized case management, and meaningful paid jobs that enable youth to discover and achieve their potential.

In the Bay Area, there are nearly 80,000 opportunity youth -- 16 to 24-year-olds who are currently disconnected from employment, education and the social supports needed for a successful transition to adulthood. Without intervention, these young people are at risk for a number of negative outcomes, including substantial periods of unemployment, homelessness, involvement with the criminal justice system, and poverty.

At New Door Ventures, these youth find an opportunity to change the trajectory of their lives. Interns receive specialized training at their respective job sites, and support in pursuing further education and a healthy and responsible lifestyle. New Door Ventures employs interns at one of two financially sustainable social enterprises or one of 90+ partner businesses and organizations. The New Door high school equivalency program provides individual and small-group instruction to support young people in passing one of several high school equivalency tests, so that they can pursue post-secondary education and training.

The work of New Door Ventures is integral to empowering and transforming the lives of young people, aiming to transform individuals who will in turn transform their communities. New Door Ventures invests with the goal that 85%+ of its graduates will go on to further education and/or mainstream jobs. For additional information, visit www.newdoor.org.

New Door Ventures social enterprises and programs include the following:

> **Youth Employment** helps opportunity youth prepare for work and life so they can discover and use their potential as they successfully transition to adulthood. The program combines the practical work experience, job training and deep individual support that enable transition aged youth to identify their strengths and abilities, apply them in real-work settings, learn teamwork, accountability and healthy behaviors, and experience the power of being positive, productive members of their communities. In December 2017, New Door Ventures began expanding its employment program through partnerships in East Bay communities such as Oakland and Hayward. The expansion to the East Bay increased New Door's number of youths employed by 37% over 2017. Funds for the expansion were allocated from reserves raised in previous years for strategic growth.
>
> **Ashbury Images (AIM)** offers quality custom screen printed and embroidered apparel and promotional products to various companies, nonprofit organizations and schools. Interns employed at Ashbury Images gain real-life production skills in a rigorous yet encouraging training environment. www.ashburyimages.org.
>
> **Pedal Revolution** is a full-service retail sales and repair bicycle shop located in San Francisco's Mission District. Interns work with professional mechanics and sales staff and receive hands-on training in work and life skills. www.pedalrevolution.org.

NOTE 1 – ORGANIZATION (continued)

Education Program helps youth who are not on track to receive a high school diploma earn a GED or other forms high school equivalency. Youth receive individualized teaching of subject content within a social-emotional learning framework, enrichment activities, one-on-one tutoring, and test preparation to support them in achieving high school equivalency.

These financial statements include the assets, liabilities, net assets and activities of New Door Ventures, Ashbury Images, and Pedal Revolution (collectively referred to as "New Door Ventures" or the "Organization"). All significant intracompany transactions and balances have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of New Door Ventures and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with initial maturities of less than ninety days. Cash and cash equivalents include certificates of deposit amounting to $301,498 and $500,929 at December 31, 2018 and 2017, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried at fair value. Investment return consists of investment income, realized gain (loss) and unrealized gain (loss). Realized and unrealized gain or loss on investments is reflected in the statements of activities.

Contributions

Contribution revenue is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned and expenses are recognized as incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. Contributions and investment gains (losses) and income (loss) that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or a condition is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value. All grants and contracts receivable at December 31, 2018 and 2017 are considered fully collectible.

Donated Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of individuals and organizations have made contributions of non-cash assets, professional services, and facilities during 2018 and 2017. The value of these contributions is recorded in the accompanying financial statements because the criteria for recognition have been satisfied. New Door Ventures recorded $82,139 and $88,253 of non-cash contributions in the accompanying financial statements for the years ended December 31, 2018 and 2017, respectively. A number of volunteers have made contributions of their time to the Organization. The value of this contributed time is not recorded in the accompanying financial statements because the criteria for recognition have not been satisfied.

Reclassifications

Certain amounts in the prior year presented have been reclassified to conform to the current year financial statement presentation. These reclassifications have no effect on previously reported changes in net assets or results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Costs are allocated between fund-raising, general and administrative and the appropriate program based on management's evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Fund-raising expenses are associated with encouraging donations from the general public and with events held by the Organization.

Inventories

Inventory is comprised of bicycles and their accessories and printing materials. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Accounts Receivable

Accounts receivable amounted to $944,824 and $322,918 at December 31, 2018 and 2017, respectively. The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. Allowance for doubtful accounts amounted to $5,136 at December 31, 2018 and 2017. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Compensated Absences

The Organization accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financial statements include accrued vacation benefits of $152,925 and $130,007 as of December 31, 2018 and 2017, respectively.

Fair Value of Financial Instruments

The fair value of the Organization's financial instruments reflects the amounts that the Organization expects to receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). Generally Accepted Accounting Principles also established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments (continued)

Level 2 – Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The carrying value of certain financial instruments, including cash and cash equivalents, certificates of deposit, accounts and grants receivable, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of long-term debt approximates fair value, as the interest rates approximate market rates.

Advertising Costs

Advertising costs are expensed as incurred and amounted to $508 and $728 in 2018 and 2017, respectively.

Property and Equipment

Property and equipment purchased is recorded at cost. Assets acquired by contribution or bequest are stated at estimated fair value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. The Organization capitalizes all property and equipment acquisitions in excess of $2,000.

The estimated useful lives of property and equipment are principally as follows:

Buildings and improvements	10-39 years/term of lease (for rented properties)
Office/production equipment	2-10 years
Furniture and fixtures	3-10 years

The Organization's management reviews long-lived tangible and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount to future undiscounted cash flows the assets are expected to generate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

The Organization considers historical performance and future estimated results in its evaluation of impairment. No impairment has been realized or recorded for the years ended December 31, 2018 and 2017.

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. Significant estimates include the collectability of grants and accounts receivable, useful lives for determining depreciation of fixed assets, valuation of investments, donated goods and services, accrued expenses, and the allocation of functional expenses.

Revenue Recognition

Revenues on product sales are recognized upon shipment and receipt of payment is reasonably assured. Revenues on repair and installation services are recognized when the services are completed.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("Accounting Standards Update ("ASU") 2014-09"). This comprehensive new revenue recognition standard will supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under currently applicable guidance including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 was effective for annual and interim periods beginning after December 15, 2017 (for non-public companies) and permitted the use of either the retrospective or cumulative effect transition method. ASU No. 2015-14 amended the effective date to December 15, 2018 (for non-public companies) and permits early adoption only for reporting periods beginning after December 15, 2017. The Organization is currently assessing the potential impact of ASU 2014-09 on its financial condition and results of operations.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". This update requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The adoption of this update did not have an impact on the Organization's financial condition and results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued an accounting pronouncement (FASB ASU 2016-02) related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance sheet, while expense recognition on the income statement remains similar to current lease accounting guidance. The guidance also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Organization is currently evaluating the effect of ASU 2016-02 on its financial statements.

In January 2016, the FASB issued ASU 2016-01 "*Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*". This amendment requires, among other things, equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This amendment is effective for private companies, not-for-profit organizations, and employee benefit plans, for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect of this amendment on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

In August 2016, the ASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of this ASU on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in the update are effective for fiscal years beginning after December 15, 2019 with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*" The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has $4,610,152 of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash and cash equivalents of $945,956, accounts and contracts receivable of $1,357,322, investments of $2,281,874, and promises to give of $25,000. None of the financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The accounts and contracts receivable are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet around 170 days of normal operating expenses, which are on average, approximately $570,000 a month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE 4 – INVENTORY

Inventory, which is primarily composed of bicycles, accessories and parts, and screen printing materials, amounted to $240,460 and $253,247 at December 31, 2018 and 2017, respectively. Reserves for obsolescence amounted to $0 at December 31, 2018 and 2017.

NOTE 5 – INVESTMENTS

Investments consist primarily of a certificate of deposit with initial maturity of greater than 90 days and are stated at fair value. The balance of the certificates of deposit and other investments was $2,281,874 and $2,289,278 at December 31, 2018 and 2017, respectively.

The following table represents New Door Ventures' fair value hierarchy for its financial assets measured at fair value using available quoted prices as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 2,256,891	$ -	$ 2,256,891
U.S Equities	24,983	-	-	24,983
Total	$ 24,983	$ 2,256,891	$ -	$ 2,281,874

The following table represents New Door Ventures' fair value hierarchy for its financial assets measured at fair value using available quoted prices as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 2,249,143	$ -	$ 2,249,143
U.S Equities	40,135	-	-	40,135
Total	$ 40,135	$ 2,249,143	$ -	$ 2,289,278

Net appreciation was not deemed significant at December 31, 2018 and 2017. Investment income (loss) amounted to $(14,077) and $38,092 for years ended December 31, 2018 and 2017, respectively.

NOTE 6 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment; at cost less accumulated depreciation, at December 31:

	2018	2017
Land and buildings	$ 4,563,413	$ 4,563,413
Improvements	2,199,903	2,199,903
Furniture and fixtures	181,115	181,115
Office/production equipment	435,283	409,488
	7,379,714	7,353,919
Less: accumulated depreciation	(1,632,135)	(1,460,193)
Total	$ 5,747,579	$ 5,893,726

NOTE 6 – PROPERTY AND EQUIPMENT (continued)

Depreciation of property and equipment, including property and equipment held under capital lease, amounted to $171,942 and $186,655 for the years ended at December 31, 2018 and 2017, respectively. Property and equipment held under capital lease had a capitalized cost of $154,771. At December 31, 2018, Property and equipment held under capital lease was fully depreciated with a net book value of $0.

NOTE 7 – UNCONDITIONAL PROMISES TO GIVE

New Door Ventures records unconditional promises to give from foundations and individuals at their net present value, net of allowance for doubtful amounts and discount. The discount rate was 6.00% at December 31, 2018 and 2017.

Unconditional promises to give are expected to be received as follows as of December 31:

	2018	2017
Promises to give in less than one year	$ 25,000	$ 455,000
Promises to give in one to five years	-	25,000
Total promises to give	25,000	480,000
Less unamortized discount	-	(2,748)
Net promises to give	$ 25,000	$ 477,252

NOTE 8 – CONCENTRATIONS

The Organization maintains its cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000. The Organization had uninsured balances of $337,225 and $792,353 at December 31, 2018 and 2017, respectively.

In 2018, one customer of AIM accounted for 47% of its total accounts receivable. In 2017, the two largest customers of AIM accounted for 24% of its total accounts receivable. In 2018, one customer of AIM accounted for over 11% of its total service revenue. In 2017, three customers of AIM accounted for over 10% of its total service revenue.

NOTE 9 – LEASE COMMITMENTS

The Organization has a lease for its Ashbury Images manufacturing and retail enterprise space in San Francisco, which is set to expire on December 31, 2021. The lease requires monthly payments of $12,485 beginning in 2017 with the monthly payments increasing by approximately 3% each year thereafter until expiration. Rent expense under the existing lease agreement amounted to $162,647 and $163,067 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the new operating lease agreement as of December 31, 2018 are as follows:

Years End December 31:		
2019	$	158,944
2020		163,712
2021		168,624
Total	$	491,280

NOTE 10 – PENSION PLAN

The Organization has a 403(b) deferred compensation plan covering eligible employees who meet certain criteria as defined in the Plan. The Organization may make a matching contribution up to 100% of employee's elective deferrals but not exceeding 4% of the employee's compensation. The Organization contributed $53,511 and $59,229 during the years ended December 31, 2018 and 2017, respectively.

NOTE 11 – LONG-TERM DEBT

Long-term debt consists of a note payable (the note) to the Bank of Marin secured by real property at 3221 20th Street, San Francisco, bearing interest at 2.97% per annum through September 2020, after which the interest rate will be adjusted to 66% of the sum of (a) the then-current 3-year treasury constant maturity rate plus (b) 2.39%; provided that in no event shall the adjusted interest rate be less than 2.97%.

The note is payable in monthly installments of $8,658 including principal and interest, and due in April 2044. The note balance was $1,839,315 and $1,887,044 at December 31, 2018 and 2017, respectively.

The debt agreement with the bank contains certain financial covenants that require a minimum debt service coverage ratio of 1.35 to 1.00. In the event that there is a risk of noncompliance with the financial covenants, the Organization and the bank will collectively determine the best plan to remediate any such noncompliance.

NOTE 11 – LONG-TERM DEBT (continued)

Interest expense amounted to $56,172 and $57,582 during 2018 and 2017, respectively.

The future scheduled payments on the long-term debt are as follows at December 31, 2018:

Years ending December 31,	Amount
2019	$ 103,895
2020	103,895
2021	103,895
2022	103,895
2023	103,895
Thereafter	2,112,540
Total	2,632,015
Amount representing interest	(792,700)
Total long-term debt	$ 1,839,315

NOTE 12 – RELATED PARTY TRANSACTIONS

A number of members of the board of directors made contributions to support the Organization's youth development program and capital campaign. Contributions received in 2018 and 2017 amounted to approximately $271,557 and $246,229, respectively.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	2018	2017
Youth programs – training	$ 75,000	$ 480,000
Total	$ 75,000	$ 480,000

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows at December 31:

	2018	2017
Youth programs – training	$ 955,000	$ 592,500
Threshold campaign	-	67,500
Strategic planning	-	20,000
Total	$ 955,000	$ 680,000

NOTE 14 – INCOME TAXES

New Door Ventures was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. New Door Ventures is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2013.

New Door Ventures has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

New Door Ventures assesses its accounting for uncertainty in income taxes recognized in its Financial Statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on the Financial Statements as a result of the adoption of this policy.

NOTE 15 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through June 17, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the financial statements, except as disclosed below.

In February 2019, the Organization signed a sublease agreement for office space in Oakland, California. The lease agreement begins on January 1, 2019 and ends on December 31, 2019. The monthly payment is $2,000.