Financial Statements with Report of Independent Auditors Thereon

New Door Ventures

For the Years Ended
December 31, 2017 and 2016

SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

New Door Ventures

Financial Statements

For the years ended December 31, 2017 and 2016

With Report of Independent Auditors

C O N T E N T S

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, 2017 and 2016, 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.

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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, 2017 and 2016, 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 12, 2018

New Door Ventures
Statements of Financial Position
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Assets:		
Cash and cash equivalents	$ 2,266,484	$ 2,811,942
Investments, at fair value	1,938,781	1,924,014
Accounts receivable, net	322,918	176,245
Contracts and grants receivable	240,506	124,242
Unconditional promises to give, net	477,252	30,000
Inventory, net	253,247	258,998
Prepaid expenses and other assets	395,708	309,763
Deposits	5,495	5,495
Property and equipment, net of accumulated depreciation and amortization	5,893,726	6,001,265
Total Assets	$ 11,794,117	$ 11,641,964
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 388,875	$ 391,528
Long-Term Debt	1,887,044	1,933,359
Total Liabilities	2,275,919	2,324,887
Net Assets:		
Unrestricted	9,038,198	9,092,077
Temporarily restricted	480,000	225,000
Total Net Assets	9,518,198	9,317,077
Total Liabilities and Net Assets	$ 11,794,117	$ 11,641,964

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

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

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Revenue:			
Enterprise revenue	$ 2,466,674	$ -	$ 2,466,674
Government grants	784,030	-	784,030
Investment income	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
Statement of Activities
For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Revenue:			
Enterprise revenue	$ 2,980,706	$ -	$ 2,980,706
Government grants	483,168	-	483,168
Investment income (expense)	14,191	-	14,191
Fundraising event, net of costs	17,278	-	17,278
Other income (expense)	(507)	-	(507)
Support:			
Contributions	1,607,215	87,500	1,694,715
In-Kind Donations	117,391	-	117,391
Foundation grants	844,548	-	844,548
Net assets released from restrictions	428,500	(428,500)	-
Total Revenue and Support	6,492,490	(341,000)	6,151,490
Expenses:			
Program Services:			
Ashbury images	2,637,560	-	2,637,560
Pedal revolution	940,356	-	940,356
Education	135,099	-	135,099
Youth employment	1,730,783	-	1,730,783
Total Program Services	5,443,798	-	5,443,798
Supporting Services:			
Fundraising	721,134	-	721,134
General and administrative	436,227	-	436,227
Total Supporting Services	1,157,361	-	1,157,361
Total Expenses	6,601,159	-	6,601,159
Changes in Net Assets	(108,669)	(341,000)	(449,669)
Net Assets, beginning of year	9,200,746	566,000	9,766,746
Net Assets, end of year	$ 9,092,077	$ 225,000	$ 9,317,077

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

New Door Ventures
Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$ 201,121	$ (449,669)
Non-cash Items:		
Depreciation and amortization	186,655	279,785
Unrealized gain on investments	-	(560)
Stock donation	(71,892)	(42,241)
Amortization of discount on promises to give	2,748	-
(Increase) decrease in operating assets:		
Contracts and grants receivable	(116,264)	(18,762)
Accounts receivable	(146,673)	18,965
Unconditional promises to give, net	(450,000)	253,502
Inventory	5,751	12,431
Prepaid expenses and other assets	(85,945)	(36,694)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,653)	(68,242)
Net cash used in operating activities	(477,152)	(51,485)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(79,116)	(16,121)
Purchases of investments	(2,280)	-
Proceeds from sale of investments	59,405	32,401
Net cash provided by (used in) investing activities	(21,991)	16,280
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(46,315)	(44,780)
Net cash used in financing activities	(46,315)	(44,780)
Net decrease in cash and cash equivalents	(545,458)	(79,985)
Cash and cash equivalents, beginning of year	2,811,942	2,891,927
Cash and cash equivalents, end of year	$ 2,266,484	$ 2,811,942
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	$ 57,582	$ 59,114
Non-cash donations	$ 88,253	$ 117,391

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				Total	Supporting Services		Total	
	Ashbury Images	Pedal Revolution	Education	Youth Employment	Program Services	Fundraising	General and Administrative	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.

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2016

	Program Services				Total	Supporting Services		Total	
	Ashbury Images	Pedal Revolution	Education	Youth Employment	Program Services	Fundraising	General and Administrative	Supporting Services	Total Expenses
Personnel	$ 846,416	$ 346,824	$ 70,129	$ 1,085,642	$ 2,349,011	$ 433,233	$ 254,705	$ 687,938	$ 3,036,949
Employer payroll taxes	58,167	20,067	5,365	78,785	162,384	29,104	17,139	46,243	208,627
Employee benefits	88,108	34,382	1,687	110,680	234,857	43,018	48,675	91,693	326,550
Bad debt	636	-	-	-	636	-	-	-	636
Conferences	-	-	-	-	-	211	70	281	281
Consultants and outside services	23,686	8,738	-	54,467	86,891	84,634	33,040	117,674	204,565
Depreciation and amortization	126,913	14,942	-	106,622	248,477	15,654	15,654	31,308	279,785
Equipment/repairs	6,760	9	-	6,566	13,335	2,319	867	3,186	16,521
Fees and dues	34,113	19,048	-	6,382	59,543	4,839	9,662	14,501	74,044
Insurance	63,436	19,237	525	32,678	115,876	9,907	4,369	14,276	130,152
Interest	-	-	-	51,293	51,293	-	7,821	7,821	59,114
Maintenance/utilities	56,138	35,612	-	32,810	124,560	6,502	6,278	12,780	137,340
Miscellaneous	11,094	6,500	-	10,108	27,702	6,338	1,649	7,987	35,689
Occupancy	66,362	-	-	-	66,362	-	-	-	66,362
Office supplies	11,887	844	-	9,009	21,740	3,489	1,737	5,226	26,966
Outreach and promotions	36,860	2,069	-	1,901	40,830	63,635	1,677	65,312	106,142
Postage and shipping	47,633	5,631	-	806	54,070	2,371	309	2,680	56,750
Printing and copying	-	45	-	-	45	-	-	-	45
Program cost of goods sold	1,148,776	417,933	-	-	1,566,709	-	-	-	1,566,709
Program supplies	-	-	100	55,856	55,956	172	126	298	56,254
Staff and board	921	2,132	46,409	6,479	55,941	7,743	21,175	28,918	84,859
Telephone	8,309	5,949	314	16,152	30,724	3,095	2,698	5,793	36,517
Transportation	1,345	394	10,570	64,547	76,856	4,870	8,576	13,446	90,302
Total Expenses	$ 2,637,560	$ 940,356	$ 135,099	$ 1,730,783	$ 5,443,798	$ 721,134	$ 436,227	$ 1,157,361	$ 6,601,159

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 located in the Mission District of San Francisco. New Door Ventures prepares disconnected 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 San Francisco, there are approximately 6,500 16 to 24-year-olds who are 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. Youth 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 youth interns at one of two financially sustainable social enterprises or at any of the 60+ partner businesses and organizations in and around San Francisco. The New Door Ventures 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 at-risk 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 transitional-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 addition to training and support from New Door Ventures staff, youth gain work experience at Ashbury Images, Pedal Revolution or one of over 60 businesses and organizations that partner with New Door Ventures to provide opportunities for work experience. Historically, New Door Ventures has only offered programming in San Francisco. In December 2017, New Door Ventures began expanding its employment program through partnerships in East Bay communities such as Oakland and Hayward.

> **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.

NOTE 1 – ORGANIZATION (continued)

Pedal Revolution is a full service retail sales and repair bicycle shop located in San Francisco's Mission District. Pedal Revolution provides disconnected youth with paid internships working with professional mechanic and sales staff, in which they receive hands-on training in work and life skills. www.pedalrevolution.org.

Education helps youth who are not on track to receive a high school diploma to 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:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual arrangements with outside parties, but may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of the Organization pursuant to those stipulations and/or expire with the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that the Organization must maintain. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2017 and 2016 the Organization had no permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. 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 $851,426 and $510,162 at December 31, 2017 and 2016, respectively.

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 that are restricted by the donor are reported as increases in unrestricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets. 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, 2017 and 2016 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 2017 and 2016. The value of these contributions is recorded in the accompanying financial statements because the criteria for recognition have been satisfied. New Door Ventures recorded $88,253 and $117,391 of non-cash contributions in the accompanying financial statements for the years ended December 31, 2017 and 2016, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 $322,918 and $176,245 at December 31, 2017 and 2016, 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, 2017 and 2016. 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 $130,007 and $116,166 as of December 31, 2017 and 2016, 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 $728 and $680 in 2017 and 2016, 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 its 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, 2017 and 2016.

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 August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early application permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

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.

NOTE 3 – INVENTORY

Inventory, which is primarily composed of bicycles, accessories and parts, and screen printing materials, amounted to $253,247 and $258,998 at December 31, 2017 and 2016, respectively. Reserves for obsolescence amounted to $0 at December 31, 2017 and 2016.

NOTE 4 – 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 $1,938,781 and $1,924,014 at December 31, 2017 and 2016, 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, 2017:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 1,898,646	$ -	$ 1,898,646
U.S Equities	40,135	-	-	40,135
Total	$ 40,135	$ 1,898,646	$ -	$ 1,938,781

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, 2016:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 1,896,357	$ -	$ 1,896,357
Cash	27,657	-	-	27,657
Total	$ 27,657	$ 1,896,357	$ -	$ 1,924,014

Net appreciation was not deemed significant at December 31, 2017 and 2016. Interest and dividend income amounted to $38,092 and $14,191 for years ended December 31, 2017 and 2016, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2017	2016
Land and buildings	$ 4,563,413	$ 4,563,413
Improvements	2,199,903	2,120,786
Furniture and fixtures	181,115	181,115
Office/production equipment	409,488	409,488
	7,353,919	7,274,802
Less: accumulated depreciation	(1,460,193)	(1,273,537)
Total	$ 5,893,726	$ 6,001,265

Depreciation of property and equipment, including property and equipment held under capital lease, amounted to $186,655 and $246,699 for the years ended at December 31, 2017 and 2016, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT (continued)

Property and equipment held under capital lease had a capitalized cost of $154,771. At December 31, 2017 accumulated depreciation and net book value amounted to approximately $154,771 and $0, respectively. At December 31, 2016 accumulated depreciation and net book value of the capitalized leased property amounted to approximately $147,032 and $7,739, respectively.

NOTE 6 – INTANGIBLE ASSET

In July 2013, the Organization acquired certain assets and liabilities of Marqué Press, LLC, including a list of Marqué's customers. Estimated value of the customer list acquired was based on future expected revenues from the client list. Management estimates that the client list has a useful life of approximately three years, beginning January 1, 2014. The Organization recorded $0 and $33,086 of amortization expense during the years ended December 31, 2017 and 2016, respectively. The net value of customer list was $0 in 2017 and 2016.

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, 2017 and 2016.

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

	2017	2016
Promises to give in less than one year	$ 455,000	$ 30,000
Promises to give in one to five years	25,000	-
Total promises to give	480,000	30,000
Less unamortized discount	(2,748)	-
Net promises to give	$ 477,252	$ 30,000

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 $792,353 and $1,246,334 at December 31, 2017 and 2016, respectively.

In 2017, the two largest customers of AIM accounted for 24% of its total accounts receivable. In 2016, the four largest customers of AIM accounted for 46% of its total accounts receivable. In 2017, three customers of AIM accounted for over 10% of its total service revenue. In 2016, no customer of AIM accounted for over 10% of its total service revenue.

NOTE 9 – LEASE COMMITMENTS

On January 8, 2016, the Organization signed an extension to its existing lease for its Ashbury Images manufacturing and retail enterprise space in San Francisco, which expired on December 31, 2016. The lease extension is an additional five years commencing on January 1, 2017 and ending on December 31, 2021. The lease extension 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 $163,067 and $66,362 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under the new operating lease agreement as of December 31, 2017 are as follows:

Years End December 31:		
2018	$	154,315
2019		158,944
2020		163,712
2021		168,624
Total	$	645,595

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 $59,229 and $57,511 during the years ended December 31, 2017 and 2016, 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 $1,887,044 and $1,933,359 at December 31, 2017 and 2016, 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.

Interest expense amounted to $57,582 and $59,114 during 2017 and 2016, respectively.

NOTE 11 – LONG-TERM DEBT (continued)

The future scheduled payments on the long-term debt are as follows:

Years ending December 31,	Amount
2018	$ 103,895
2019	103,895
2020	103,895
2021	103,895
2022	103,895
Thereafter	2,216,436
Total	2,735,911
Amount representing interest	(848,867)
Total long-term debt	$ 1,887,044

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 2017 and 2016 amounted to approximately $246,229 and $369,352, respectively.

NOTE 13 – LINE OF CREDIT

The Organization did not have any lines of credit in 2017 and 2016. Accordingly, there were no outstanding balances at December 31, 2017 and 2016.

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	2017	**2016**
Youth programs – training	$ 480,000	$ 137,500
Threshold campaign	-	67,500
Strategic planning	-	20,000
Total	$ 480,000	$ 225,000

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS (continued)

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

	2017	2016
Youth programs – training	$ 592,500	$ 145,000
Threshold campaign	67,500	283,500
Strategic planning	20,000	-
Total	$ 680,000	$ 428,500

NOTE 15 – 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 2011.

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 16 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through June 12, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in the financial statements.