



**Open Door Legal
Financial Statements
December 31, 2023**

Frank, Rimerman + Co. LLP

Board of Directors
Open Door Legal
San Francisco, California



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Open Door Legal (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Frank, Rinneuer & Co. LLP". The signature is fluid and cursive, with "Frank" and "Rinneuer" on the first line and "& Co. LLP" on the second line.

San Jose, California
May 31, 2024

Open Door Legal
Statement of Financial Position
December 31, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,385,438
Restricted cash	6,138
Grants receivable	1,399,816
Contributions receivable	908
Prepaid expenses	<u>115,723</u>
Total current assets	<u>2,908,023</u>
Property and Equipment, net	130,222
Other Assets	23,918
Finance Lease Right of Use Assets, net	24,027
Operating Lease Right of Use Assets, net	<u>869,665</u>
Total assets	<u>\$ 3,955,855</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 33,249
Client escrow	6,138
Accrued expenses	314,784
Deferred revenue	425,334
Finance lease liabilities	7,891
Operating lease liabilities	<u>163,352</u>
Total current liabilities	<u>950,748</u>
Finance Lease Liabilities, net of current portion	16,556
Operating Lease Liabilities, net of current portion	<u>810,722</u>
Total liabilities	<u>1,778,026</u>
Commitments (Note 7)	
Net Assets	
Without Donor Restrictions	2,169,171
With Donor Restrictions	<u>8,658</u>
Total net assets	<u>2,177,829</u>
Total liabilities and net assets	<u>\$ 3,955,855</u>

Open Door Legal
Statement of Activities and Change in Net Assets
Years Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Grants and contributions	\$ 5,412,678	\$ 160,000	\$ 5,572,678
In-kind contributions	24,121	-	24,121
Event tickets and auction sales, net	373,550	-	373,550
Other income	10,759	-	10,759
Net assets released from restrictions	<u>240,136</u>	<u>(240,136)</u>	<u>-</u>
Total public support and revenue	<u>6,061,244</u>	<u>(80,136)</u>	<u>5,981,108</u>
Expenses			
Program services	3,884,779	-	3,884,779
Support services:			
General and administrative	1,219,862	-	1,219,862
Fundraising	<u>510,008</u>	<u>-</u>	<u>510,008</u>
Total expenses	<u>5,614,649</u>	<u>-</u>	<u>5,614,649</u>
Change in Net Assets	446,595	(80,136)	366,459
Net Assets, beginning of year	<u>1,722,576</u>	<u>88,794</u>	<u>1,811,370</u>
Net Assets, end of year	<u>\$ 2,169,171</u>	<u>\$ 8,658</u>	<u>\$ 2,177,829</u>

See Notes to Financial Statements

Open Door Legal
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services		Support Services			Total
	Legal Services	General and Administrative	Fundraising	Total Support Services		
Personnel expenses	\$ 3,119,860	\$ 983,954	\$ 447,727	\$ 1,431,681	\$ 4,551,541	
Occupancy	304,093	8,653	3,398	12,051	316,144	
Dues and subscriptions	52,870	4,400	1,001	5,401	58,271	
Office supplies	18,606	4,432	2,103	6,535	25,141	
Equipment	19,158	4,969	2,347	7,316	26,474	
Computer equipment	8,451	2,808	2,760	5,568	14,019	
Professional services	67,157	100,409	55	100,464	167,621	
Information technology	123,433	65,704	24,855	90,559	213,992	
Bad debt expense	-	3,979	-	3,979	3,979	
Depreciation and amortization	72,555	14,391	4,510	18,901	91,456	
Insurance	59,110	19,697	8,499	28,196	87,306	
Court and litigation fees	23,136	326	139	465	23,601	
Other expenses	16,350	6,140	12,614	18,754	35,104	
Event related costs	-	-	16,323	16,323	16,323	
Total expenses by function	3,884,779	1,219,862	526,331	1,746,193	5,630,972	
Less expenses included in revenue on the statement of activities	-	-	(16,323)	(16,323)	(16,323)	
Total expenses	<u>\$ 3,884,779</u>	<u>\$ 1,219,862</u>	<u>\$ 510,008</u>	<u>\$ 1,729,870</u>	<u>\$ 5,614,649</u>	
Percent of total expenses	<u>69%</u>	<u>22%</u>	<u>9%</u>	<u>31%</u>	<u>100%</u>	

See Notes to Financial Statements

Open Door Legal
Statement of Cash Flows
Year Ended December 31, 2023

Cash Flows from Operating Activities		
Change in net assets	\$	366,459
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		91,456
Amortization of finance lease right of use assets		4,958
Amortization of operating lease right of use assets		150,058
Changes in operating assets and liabilities:		
Grants receivable		(843,133)
Contributions receivable		75,986
Prepaid expenses		1,505
Other assets		(5,500)
Accounts payable		18,010
Client escrow		(48,003)
Accrued expenses		21,185
Deferred revenue		420,735
Repayment of finance lease liabilities		(4,744)
Operating lease liabilities		<u>(63,740)</u>
Net cash provided by operating activities		<u>185,232</u>
Cash Flows from Investing Activities		
Purchases of property and equipment		<u>(97,701)</u>
Net cash used in investing activities		<u>(97,701)</u>
Net Increase in Cash and Cash Equivalents		87,531
Cash and Cash Equivalents, beginning of year		<u>1,304,045</u>
Cash and Cash Equivalents, end of year	\$	<u>1,391,576</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$	1,385,438
Cash and cash equivalents restricted for client escrow		6,138
	\$	<u>1,391,576</u>

Supplemental Schedule of Noncash Financing Activity under ASC842

Capitalization of operating lease right of use assets and lease liabilities upon commencement of n \$ 786,387

Open Door Legal

Notes to Financial Statements

1. Organization and Nature of Business

Open Door Legal (the Organization) is a not-for-profit organization working to pioneer universal access to civil legal representation and prove that, when everyone has access to the law, poverty can be dramatically reduced. The Organization is headquartered in San Francisco, California. The Organization was founded in 2013 in the Bayview/Hunters Point neighborhood of San Francisco, and exclusively served the residents there until 2019, when the Organization expanded its service area to serve the residents in the Excelsior and Western Addition neighborhoods of San Francisco.

The Organization ensures everyone in the current service areas who cannot afford an attorney, can access one in any area of civil law. The Organization has a custom-built case management system to manage the logistical complexities involved in delivering universal legal access and ensure people who need representation can get timely services in over 35 areas of law.

2. Significant Accounting Policies

Financial Statement Presentation:

The Organization prepares its financial statements in accordance with accounting standards for not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (U.S.) (GAAP). The standards require not-for-profit organizations to segregate net assets into two categories: without donor restrictions and with donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions consist of net assets for which there are no donor-imposed restrictions or the donor-imposed restrictions were temporary and expired during the current or previous periods.

Net assets with donor restrictions consist of amounts receivable or received that are restricted for specific purposes or for subsequent periods. Some contributions received from donors may be required to be maintained in perpetuity, while others may expire over time or when the donor imposed restriction is satisfied. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Open Door Legal **Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Revenue Recognition:

The Organization recognizes revenue from its revenue-generating activities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The Organization determines revenue recognition through the following steps:

- Identification of the contract or agreement with a grantor or customer
- Identification of the performance obligations in the contract or agreement
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract or agreement
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

Event Tickets and Auction Sales

Event tickets and auction sales are generated at the Organization's annual Gala. Ticket revenue and auction sales are recognized as received in the year in which the event occurs.

Program Income

The Organization's program income consists of fees from clients for legal services performed or from attorney's fees mandated by the court or other law for performance of legal services. Revenue from these sources are recognized in the year in which the service is performed.

Contributions:

The Organization receives contributions from foundations, businesses and individuals. The Organization recognizes contributions and unconditional promises to give (pledges) as support at their fair value in the period the donor makes the contribution or pledge that is, in substance, unconditional. Conditional promises to give and support are not recognized until the conditions are met. The Organization distinguishes between contributions that increase the two categories of net assets, with recognition being made upon the expiration of donor-imposed restrictions in the period in which the restrictions expire. Contributions restricted by the donor that expire in the same year are reported as increases in net assets without donor restrictions. The Organization recognized \$1,560,000 in contributions in 2023.

Reimbursement Grants:

The Organization recognizes financial support through multiple grant agreements whereby funding is based on the expenses incurred. The Organization has elected a simultaneous release option to account for these grants. Therefore, they are recorded as support revenue without donor restriction upon satisfaction of the barriers. The Organization recognized \$4,013,000 in grant revenue under the reimbursement grants in 2023.

Open Door Legal
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Contributed Nonfinancial Assets:

GAAP requires not-for-profit entities to provide details as to the types of nonfinancial assets received, any donor-imposed restrictions on the assets, whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, the entity's accounting policy for monetizing the assets instead of utilizing the assets, and a description of the valuation techniques and inputs used to arrive at a fair value measurement for the donated assets. The Organization has described in-kind contributions in Note 5, which were utilized in operations in 2023.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of support, revenue and expenses in the financial statements and related disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less.

Restricted Cash:

The Organization's restricted cash represents funds that are held on behalf of clients while their legal matters are pending. The Organization's policy is to recognize an offsetting liability in the client escrow account, concurrent with its recognition of cash or other financial assets received from the client. Once the funds are distributed to the ultimate beneficiary, the asset and liability are removed from the Organization's records.

Open Door Legal
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Concentration of Credit Risk:

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist primarily of cash and cash equivalents, restricted cash, and grants and contributions receivable. The Organization maintains its cash and cash equivalent deposits with two U.S. financial institutions. From time to time, cash and cash equivalent deposits held with the financial institutions may exceed the \$250,000 insured by the Federal Deposit Insurance Corporation at each institution. At December 31, 2023, cash deposits exceeded of the insurable limit by \$140,000. The Organization has not experienced any losses on its cash and cash equivalent deposits through December 31, 2023.

During the years ended December 31, 2023, 34% of total grant and contribution revenue was received from one local city grantor. Management recognizes the operational implications of the concentration.

Grants receivable are contract assets derived from providing services to grantors and amounted to \$1,399,816 at December 31, 2023. The Organization provides an allowance for losses arising from uncollectible grants and contributions receivable based upon the historical collection experience and management's evaluation of collectability of outstanding balances. No allowance for doubtful accounts was deemed necessary at December 31, 2023.

Property and Equipment:

The Organization capitalizes property and equipment acquisitions over \$5,000. Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at fair value on the date contributed. Depreciation is provided on a straight-line basis over the estimated useful life of the assets of five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the related improvements.

Leases:

The Organization accounts for its operating facility leases and finance equipment leases in accordance with FASB ASC Topic 842, *Leases*, which requires all entities that lease assets with terms greater than twelve months to capitalize the assets as operating and financing lease right of use assets (ROU assets) and operating and finance lease liabilities on the statement of financial position (Note 4).

Open Door Legal
Notes to Financial Statements

2. Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets:

Long-lived assets consist of property and equipment. The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets less costs to sell. The Organization did not record any expense related to asset impairment in 2023.

Income Taxes:

The Organization has been determined to be exempt from U.S. federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code, respectively. As a result, no provision for federal or state income taxes has been provided for in the financial statements. Although the Organization is recognized as tax exempt, it is still liable for income tax on any unrelated business taxable income (UBTI) generated by its non-marketable investments. There were no tax liability relating to UBTI at December 31, 2023.

The Organization applies the provisions set forth in FASB ASC Topic 740, *Income Taxes*, to account for the uncertainty in income taxes. The Organization assessed all income tax positions taken where the statute of limitations remains open. Examples of these tax positions include the Organization's tax-exempt status and potential sources of UBTI. The Organization believes its tax filing positions will be sustained upon tax examinations; therefore, no liability for uncertain income tax positions has been recorded at December 31, 2023.

The Organization's federal exempt organization business income tax return is subject to examination, generally for three years after it is filed with the Internal Revenue Service. The Organization's California exempt organization business income tax return is subject to examination, generally for four years after it is filed with the Franchise Tax Board.

Open Door Legal **Notes to Financial Statements**

2. Significant Accounting Policies (continued)

Statement of Functional Expenses:

The costs of providing the various program and support services have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses, which include, but are not limited to, salaries, benefits, taxes and legal fees, are charged to the related program or service benefited. Consultants and professional expenses are directly allocated based on the program or service benefited, or by management's estimate of usage. Advertising and event related costs are directly allocated to fundraising as those are the services benefited from the expenses. Information technology and indirect expenses are allocated to programs and support functions based principally on the percentage of personnel time spent in each area or management's estimate of usage. Occupancy expenses, including rent, utilities, depreciation and amortization are allocated on an estimate of square footage usage.

Reclassifications:

Certain prior year balances have been reclassified to conform to current year presentation.

3. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets at December 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position:

Cash and restricted cash	\$ 1,391,576
Grants receivable	1,399,816
Contributions receivable	<u>908</u>
	2,792,300
Less:	
Client escrow	(6,138)
Amounts restricted for time or purpose	<u>(8,658)</u>
Financial assets available for general expenditure needs within one year	\$ <u>2,777,504</u>

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

Open Door Legal
Notes to Financial Statements

4. Property and Equipment

Property and equipment consists of the following at December 31, 2023:

Leasehold improvements	\$ 389,139
Furniture and fixtures	<u>40,224</u>
	429,363
Less accumulated depreciation and amortization	<u>(299,141)</u>
	<u>\$ 130,222</u>

5. In-Kind Contributions

In-kind contribution revenue is recorded at the fair value of the services or tangible assets received and are offset by like amounts of expenses or, in the case of tangible assets, over the period benefited. Under one operating facility lease agreement, the Organization is charged below market rent. The difference between the current market rent for the facility and the payments made under the lease agreement are recorded as an in-kind contribution.

In-kind contributions consist of the following in 2023:

Legal services	\$ 8,363
Rent	<u>15,758</u>
	<u>\$ 24,121</u>

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for strategic planning of \$8,653 at December 31, 2023.

Net assets were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purposes. In 2023, the Organization released \$240,136 of funds relating to program restrictions and strategic planning.

Open Door Legal
Notes to Financial Statements

7. Lease Commitments

The Organization leases office space under four operating leases and equipment under three finance leases expiring at dates through 2031. The ROU assets and lease liabilities have been recorded using risk-free discounts rate represents for a period comparable with that of the individual lease term at the lease commencement date. The leases require monthly payments ranging from \$42 to \$6,262.

The leases are classified as operating and finance leases under Topic 842, whereby, ROU assets and operating lease liabilities have been recorded in the statement of financial position. The ROU assets are being amortized over their estimated useful life, which is equal to the lease term. Total cost of the operating and finance leases, including interest on the operating lease liabilities, was \$179,318 in 2023. At December 31, 2023, the remaining weighted average lease term was 4.5-6 years and the weighted average discount rate was 1.35-3.48% for the operating leases, and the remaining weighted average lease term was 2.4-8 years and the weighted average discount rate was 1.37-1.82% for the finance leases.

Lease expense, including basic operating costs, was \$159,671 for all leases.

Future minimum lease payments required under the operating leases and financing leases are as follows:

2024	\$ 190,292
2025	196,181
2026	200,964
2027	200,746
2028	171,072
Thereafter	<u>95,640</u>
Total minimum lease payments	1,054,895
Less amount representing interest	<u>(56,374)</u>
Present value of lease liabilities	998,521
Less current portion	<u>(171,243)</u>
Noncurrent portion	<u>\$ 827,278</u>

8. Subsequent Events

Subsequent events have been evaluated through May 31, 2024, which is the date the financial statements were approved by management and available for issuance. No items requiring disclosure in the financial statements have been identified.