Open Door Legal
Consolidated Financial Statements
December 31, 2020 and 2019

Frank, Rimerman + Co. LLP

Board of Directors
Open Door Legal
San Francisco, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Open Door Legal, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Door Legal as of December 31, 2020 and 2019 and the change 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.

Frank, Rimerman & Co. LLP

San Jose, California
June 25, 2021

Open Door Legal
Consolidated Statements of Financial Position

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	$ 950,765	$ 508,242
Restricted cash	5,757	94,547
Accounts receivable	469,125	301,726
Contributions receivable	25,000	-
Prepaid expenses and other current assets	132,088	37,341
Total current assets	1,582,735	941,856
Property and Equipment, net	245,512	169,130
Capitalized Software Development Costs	11,854	-
Security Deposits	18,418	7,214
Total assets	$ 1,858,519	$ 1,118,200
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 32,323	$ 8,332
Accrued expenses	188,837	81,237
Client escrow	5,757	94,547
Total current liabilities	226,917	184,116
Commitments (Note 8)		
Net Assets		
Without Donor Restrictions	1,509,167	775,751
With Donor Restrictions	122,435	158,333
Total net assets	1,631,602	934,084
Total liabilities and net assets	$ 1,858,519	$ 1,118,200

Open Door Legal
Consolidated Statements of Activities and Change in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Grants and contributions, net	$ 3,098,159	$ 125,000	$ 3,223,159	$ 1,459,747	$ 180,000	$ 1,639,747
Program income	1,337	-	1,337	16,926	-	16,926
In-kind contributions	1,072,948	-	1,072,948	335,440	-	335,440
Event tickets and auction sales	23,782	-	23,782	227,965	-	227,965
Net assets released from restrictions	160,898	(160,898)	-	270,667	(270,667)	-
Total public support and revenue	4,357,124	(35,898)	4,321,226	2,310,745	(90,667)	2,220,078
Expenses						
Program services	3,232,420	-	3,232,420	1,590,097	-	1,590,097
General and administrative	359,388	-	359,388	206,738	-	206,738
Fundraising	334,600	-	334,600	281,290	-	281,290
Total expenses	3,926,408	-	3,926,408	2,078,125	-	2,078,125
Change in Net Assets from Operations	430,716	(35,898)	394,818	232,620	(90,667)	141,953
Gain on Extinguishment of Debt	302,700	-	302,700	-	-	-
Change in Net Assets	733,416	(35,898)	697,518	232,620	(90,667)	141,953
Net Assets, beginning of year	775,751	158,333	934,084	543,131	249,000	792,131
Net Assets, end of year	$ 1,509,167	$ 122,435	$ 1,631,602	$ 775,751	$ 158,333	$ 934,084

Open Door Legal
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Personnel Expenses	$ 1,782,943	$ 254,706	$ 277,861	$ 532,567	$ 2,315,510
Consultants and Professionals	1,078,355	77,529	7,438	84,967	1,163,322
Occupancy	165,274	9,643	4,821	14,464	179,738
Event Related Costs	-	-	13,192	13,192	13,192
Other Expenses	75,243	6,769	17,466	24,235	99,478
Information Technology	63,588	9,084	9,910	18,994	82,582
Court and Litigation fees	26,827	-	-	-	26,827
Depreciation and Amortization	40,190	1,657	828	2,485	42,675
Advertising	-	-	3,084	3,084	3,084
Total expenses	$ 3,232,420	$ 359,388	$ 334,600	$ 693,988	$ 3,926,408
Percent of Total Expenses	82%	9%	9%	18%	100%

Open Door Legal
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Personnel Expenses	$ 1,055,185	$ 88,102	$ 167,482	$ 255,584	$ 1,310,769
Consultants and Professionals	293,608	88,631	534	89,165	382,773
Occupancy	115,850	9,500	7,305	16,805	132,655
Event Related Costs	-	-	85,623	85,623	85,623
Other Expenses	40,924	14,996	9,341	24,337	65,261
Information Technology	31,821	3,169	3,503	6,672	38,493
Court and Litigation fees	32,822	-	-	-	32,822
Depreciation and Amortization	19,887	2,340	1,170	3,510	23,397
Advertising	-	-	6,332	6,332	6,332
Total expenses	$ 1,590,097	$ 206,738	$ 281,290	$ 488,028	$ 2,078,125
Percent of Total Expenses	77%	10%	13%	23%	100%

Open Door Legal
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	Years Ended December 31, 2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 697,518	$ 141,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributed marketable securities, net	(70,487)	(2,061)
Depreciation and amortization	42,675	23,397
Gain on extinguishment of debt	(302,700)	-
Contributed property and equipment	-	(18,400)
Noncash interest expense	-	503
Changes in operating assets and liabilities:		
Accounts receivable	(167,399)	(159,090)
Contributions receivable	(25,000)	235,000
Prepaid expenses and current assets	(35,464)	(24,529)
Accounts payable	23,991	1
Accrued expenses	107,600	34,260
Client escrow	(88,790)	88,468
Net cash provided by operating activities	181,944	319,502
Cash Flows from Investing Activities		
Purchase of property and equipment	(119,057)	(97,432)
Capitalization of software development costs	(11,854)	-
Net cash used in investing activities	(130,911)	(97,432)
Cash Flows from Financing Activities		
Proceeds from issuance of note payable	302,700	-
Repayment of note payable	-	(101,328)
Net cash provided by (used in) financing activities	302,700	(101,328)
Net Increase in Cash and Restricted Cash	353,733	120,742
Cash and Restricted Cash, beginning of year	602,789	482,047
Cash and Restricted Cash, end of year	$ 956,522	$ 602,789
Cash	$ 950,765	$ 508,242
Restricted Cash	5,757	94,547
Total Cash and Restricted Cash	$ 956,522	$ 602,789

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 the Excelsior and Western Addition neighborhoods of San Francisco.

The Organization ensures everyone in their 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.

In 2015, the Organization established a wholly owned private foundation, Neighbor Capital. Neighbor Capital has a platform to assist businesses in making security offerings. The activity of the foundation is included in the consolidated financial statements.

2. Significant Accounting Policies

Basis of Presentation:

The Organization presents its consolidated financial statements on the accrual basis of accounting.

The Organization segregates its assets, liabilities and operations into two categories: with donor restrictions and without 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 such 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 consolidated statements of activities as net assets released from restrictions.

2. Significant Accounting Policies (continued)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of support, revenue and expenses in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition:

Grants and Contributions:

Contributions:
The Organization receives contributions from foundations, businesses and individuals. The Organization recognizes contributions and unconditional promises to give (pledges) as revenue 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 any of 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 current year are reported as increases in net assets without donor restrictions.

Reimbursement Grants:
The Organization recognizes financial support through multiple grant agreements whereby funding is based on the expenses incurred. Invoices are submitted to the grantors monthly for reimbursement and revenue is recognized as the costs are incurred. The Organization recognized $1,674,330 related to reimbursement grants in 2020 ($740,413 in 2019) as grant revenue.

In-Kind Contributions:
The Organization records various types of in-kind donations including professional services and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized when promised or received, whichever is earlier. 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.

The Organization occupies a building for which it is charged below-market-rent. The Organization records the fair value of donated rent, which is the difference between the fair value of the lease and the amount of rent paid, it receives annually (Note 5).

2. Significant Accounting Policies (continued)

Revenue Recognition: (continued)

In-Kind Contributions: (continued)

The Organization also receives a significant amount of donated time from volunteers and interns that assist in the legal aid process; however, their time does not meet the criteria for recognition as donated services. Accordingly, the value of this valuable contributed time is not reflected in the accompanying consolidated financial statements.

Other Revenue-Related Activities:

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.

The Organization recognizes revenue from these revenue-related activities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (Topic 606). 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

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.

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, restricted cash, accounts and contributions receivable and marketable securities. The Organization maintains its cash deposits with two financial institutions. From time to time, cash deposits held with the financial institutions exceed the amount insured by the Federal Deposit Insurance Corporation. At December 31, 2020, cash deposits in excess of the federally insured limit totaled $142,850 ($169,570 at December 31, 2019). The Organization has not experienced any losses on its cash deposits through December 31, 2020.

Accounts receivable are contract assets derived from providing services to grantors and customers. The Organization provides an allowance for losses arising from uncollectible accounts and contributions receivable based upon the historical collection experience and management's evaluation of collectability of outstanding balances. There was no allowance for doubtful accounts deemed necessary at December 31, 2020 and 2019.

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, generally 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.

Software Development Costs:

The Organization recognizes costs for the development of internal use software by expensing all costs incurred relating to the planning and post-implementation phase of development. Costs incurred in the development phase, including upgrades and enhancements, if it is probable such expenditures will result in additional functionality, are capitalized. The cost of software maintenance and training is expensed as incurred. The Organization capitalized $12,000 of software in 2020, consisting of salaries and related expenses and third party fees. The software was not ready for its intended use at December 31, 2020. Amortization will be computed over an estimated useful life of three years.

2. Significant Accounting Policies (continued)

Accounting for Impairment of Long-Lived Assets:

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 2020 or 2019.

Functional Expenses:

The costs of providing the various program and support services have been summarized on a functional basis in the consolidated 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.

Income Taxes:

The Organization is exempt from federal and state income taxes under the Internal Revenue Code Section 501(c)(3) and State of California Section 23701(d), except on any net income derived from unrelated business activities. The Organization does not believe it has unrelated business income to be reported for income tax purposes.

The Organization believes it has appropriate support for any income tax positions taken to date and, therefore, has no related income tax due for all years where the statute of limitations remains open, which is generally three years for Federal filings and four years for California filings.

Reclassifications:

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

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Effective:

Contributed Nonfinancial Assets:

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 was issued to increase the transparency for measuring contributed nonfinancial assets and is effective for the Organization as of January 1, 2022, requiring the use of the retrospective approach for its adoption. Early adoption is permitted. The Organization is evaluating the effect ASU 2020-07 will have on its consolidated financial statements.

ASU 2020-07 will require contributions from donors to be reported on the statements of financial position as either contributions of cash and financial assets or nonfinancial assets. Not-for-profit entities will be required 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 at initial recognition.

Leases:

In February 2016, the FASB issued ASC Topic 842, *Leases*. This standard requires all entities that lease assets under leases with terms of more than 12 months to capitalize the assets and related lease liabilities on the statement of financial position. The standard is effective for the Organization as of January 1, 2022 and requires the use of a modified retrospective transition approach for its adoption. The Organization is currently evaluating the effect Topic 842 will have on its consolidated financial statements and related disclosures. Management expects the assets leased under operating leases, similar to the leases discussed in Note 8 to the consolidated financial statements, will be capitalized together with the related lease obligations on the consolidated statement of financial position upon the adoption of Topic 842.

3. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position:

	2020	2019
Cash and restricted cash	$ 956,522	$ 602,789
Accounts receivable	469,125	301,726
Contributions receivable	25,000	-
	1,450,647	904,515
Less:		
Restricted cash	(5,757)	(94,547)
Restricted for time or purpose	(122,435)	(158,333)
Financial assets available for general expenditure needs within one year	$ 1,322,455	$ 651,635

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

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Leasehold improvements	$ 172,125	$ 163,441
Furniture and fixtures	31,540	31,540
Construction in progress	110,373	-
	314,038	194,981
Less accumulated depreciation and amortization	(68,526)	(25,851)
	$ 245,512	$ 169,130

5. In-Kind Contributions

The value of donated goods and services recorded as in-kind contribution revenue in the consolidated financial statements consist of the following during the year ended December 31:

	2020	2019
Attorneys	$ 1,054,178	$ 266,845
Fundraising and events	-	28,320
Property and equipment	-	21,505
Rent	18,770	18,770
Total	$ 1,072,948	$ 335,440

6. Borrowings

In March 2018, the Organization entered into a promissory note with a private company for $100,000. The note was unsecured, bore interest at 1% and was repaid with accrued interest in June 2019.

In May 2019, the Organization entered into a line of credit agreement for $250,000 that matured in May 2020. The Organization did not borrow any amounts against the line of credit.

In April 2020, the Organization entered into a line of credit agreement for $300,000 that matures in April 2021. Borrowings under the agreement bear interest at the prime rate, as published in The Wall Street Journal (3.25% at December 31, 2020). The Organization has not borrowed against the line of credit at December 31, 2020.

In April 2020, the Organization entered into an unsecured promissory note (the 2020 Note) for $302,700 under the Paycheck Protection Program provided by the U.S. Small Business Administration (SBA). Under the terms of the 2020 Note, payment was deferred for the first six months and borrowings bore interest at 1.0%. The SBA allows forgiveness of the principal and accrued interest if all employees are kept on the payroll for eight weeks and the funds are used for payroll, rent, mortgage interest, or utilities, of which non-payroll costs can be 25% of the expenditures. The Organization received forgiveness for the full amount of the note in December 2020, which was reported as a gain on extinguishment of debt.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or future periods at December 31:

	2020	2019
General programs	$ -	$ 66,666
Strategic planning	97,435	91,667
Restricted to future periods	25,000	-
Total net assets with donor restrictions	$ 122,435	$ 158,333

Net assets were released from donor restrictions by the passage of time or incurring expenses satisfying the restricted purposes. In 2020, the Organization released $160,898 of funds relating to program restrictions and strategic planning ($270,667 relating to program restrictions and the passage of time in 2019).

8. Lease Commitments

The Organization leases its primary office facility in San Francisco, California, under a non-cancelable operating lease agreement. The lease expires in July 2024 and requires monthly payments, which will increase by 3% every year.

The Organization leases another office facility in San Francisco, California, under a non-cancelable operating lease agreement that expires in August 2023. The lease requires monthly payments, which will increase by 3% every year.

In January 2020, the Organization entered into a third lease agreement for another office facility in San Francisco, California, under a non-cancelable operating lease agreement that expires in January 2025. The lease requires monthly payments, which will increase by 3% every year.

The Organization recognizes rent expense on a straight-line basis over the term of the operating leases. Any difference between cash payments required and rent expense is recorded as deferred rent. Rent expense was $125,900, which includes $18,800 in donated rent in 2020 ($66,500, which includes $18,800 in donated rent in 2019).

8. Lease Commitments (continued)

Future minimum lease payments under the non-cancelable operating leases are as follows:

2021	$	123,000
2022		126,000
2023		121,000
2024		78,000
2025		3,000
Total	$	451,000

9. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the consolidated financial statements were approved by management and available for issuance. No items requiring disclosure in the consolidated financial statements have been identified.