

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

December 30, 2021 and 2020

OPEN DOOR LEGAL AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Open Door Legal and Affiliate
San Francisco, California

Opinion

We have audited the accompanying consolidated financial statements of Open Door Legal and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Door Legal and Affiliate as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Open Door Legal and Affiliate 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Open Door Legal and Affiliate as of December 31, 2020, were audited by other auditors whose report dated June 25, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
Open Door Legal and Affiliate
San Francisco, California

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Open Door Legal and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Door Legal and Affiliate'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 audits.

Capin Crouse LLP

Pleasanton, California
June 3, 2022

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 1,648,709	\$ 950,765
Restricted cash	109,961	5,757
Investments	16,808	72,548
Grants receivable	356,585	469,125
Contributions receivable	-	25,000
Prepaid expenses and other assets	114,234	89,812
Property and equipment, net	176,635	245,512
Total Assets	<u>\$ 2,422,932</u>	<u>\$ 1,858,519</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 29,339	\$ 32,323
Client escrow fund liability	109,961	5,757
Accrued expenses	234,546	188,837
Deferred revenue	39,860	-
Total liabilities	<u>413,706</u>	<u>226,917</u>
Net assets:		
Without donor restrictions	1,911,464	1,509,167
With donor restrictions	97,762	122,435
Total net assets	<u>2,009,226</u>	<u>1,631,602</u>
Total Liabilities and Net Assets	<u>\$ 2,422,932</u>	<u>\$ 1,858,519</u>

See notes to consolidated financial statements

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	\$ 3,654,677	\$ 165,600	\$ 3,820,277	\$ 3,098,159	\$ 125,000	\$ 3,223,159
In-kind contributions	267,553	-	267,553	1,072,948	-	1,072,948
Event ticket and auction sales	65,311	-	65,311	23,782	-	23,782
Extinguishment of debt	-	-	-	302,700	-	302,700
Other income	581	-	581	1,337	-	1,337
Net assets released from restrictions	190,273	(190,273)	-	160,898	(160,898)	-
Total Support, Revenue, and Reclassifications	4,178,395	(24,673)	4,153,722	4,659,824	(35,898)	4,623,926
EXPENSES:						
Program services	2,905,298	-	2,905,298	3,232,420	-	3,232,420
Supporting activities:						
General and administrative	509,217	-	509,217	359,388	-	359,388
Fundraising	361,583	-	361,583	334,600	-	334,600
Total Expenses	3,776,098	-	3,776,098	3,926,408	-	3,926,408
Change in Net Assets	402,297	(24,673)	377,624	733,416	(35,898)	697,518
Net Assets, Beginning of Year	1,509,167	122,435	1,631,602	775,751	158,333	934,084
Net Assets, End of Year	\$ 1,911,464	\$ 97,762	\$ 2,009,226	\$ 1,509,167	\$ 122,435	\$ 1,631,602

See notes to consolidated financial statements

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Statements of Functional Expenses

	Year Ended December 31,							
	2021				2020			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fundraising			General and Administrative	Fundraising		
Personnel expenses	\$ 2,179,828	\$ 401,547	\$ 286,819	\$ 2,868,194	\$ 1,782,943	\$ 254,706	\$ 277,861	\$ 2,315,510
Professional services	273,412	29,371	-	302,783	1,078,355	77,529	7,438	1,163,322
Occupancy	173,836	9,658	9,658	193,152	165,274	9,643	4,821	179,738
Other expenses	114,522	12,410	30,604	157,536	75,243	6,769	17,466	99,478
Information technology	67,428	43,740	17,458	128,626	63,588	9,084	9,910	82,582
Depreciation and amortization	63,920	12,491	3,551	79,962	40,190	1,657	828	42,675
Court and litigation fees	32,352	-	-	32,352	26,827	-	-	26,827
Event related costs	-	-	13,493	13,493	-	-	13,192	13,192
Advertising	-	-	-	-	-	-	3,084	3,084
	\$ 2,905,298	\$ 509,217	\$ 361,583	\$ 3,776,098	\$ 3,232,420	\$ 359,388	\$ 334,600	\$ 3,926,408

See notes to consolidated financial statements

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 377,624	\$ 697,518
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributed marketable securities, net	55,740	(70,487)
Depreciation and amortization	79,963	42,675
Forgiveness of Paycheck Protection Program loan	-	(302,700)
Net change in:		
Grants receivable	112,540	(167,399)
Contributions receivable	25,000	(25,000)
Prepaid expenses and other assets	(18,397)	(35,464)
Accounts payable	(2,984)	23,991
Accrued expenses	45,709	107,600
Deferred revenue	39,860	-
Client escrow fund liability	104,204	(88,790)
Net Cash Provided by Operating Activities	819,259	181,944
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,146)	(119,057)
Capitalization of software development costs	(14,965)	(11,854)
Net Cash Used in Investing Activities	(17,111)	(130,911)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	-	302,700
Net Cash Provided by Financing Activities	-	302,700
Change in Cash, Cash Equivalents, and Restricted Cash	802,148	353,733
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	956,522	602,789
Cash and Cash Equivalents, and Restricted Cash, End of Year	\$ 1,758,670	\$ 956,522

(continued)

See notes to consolidated financial statements

OPEN DOOR LEGAL AND AFFILIATE

Consolidated Statements of Cash Flows

(continued)

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
SUMMARY OF CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents	1,648,709	950,765
Restricted cash	<u>109,961</u>	<u>5,757</u>
	<u>\$ 1,758,670</u>	<u>\$ 956,522</u>
SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTION:		
Forgiveness of Paycheck Protection Program loan proceeds	<u>\$ -</u>	<u>\$ 302,700</u>

See notes to consolidated financial statements

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

1. NATURE OF ORGANIZATION:

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by the Organization are described below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash on deposit. At December 31, 2021 and 2020, the Organization's cash balances exceeded federally insured limits by approximately \$0 and \$143,000, respectively. The Organization does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

RESTRICTED CASH

The Organization's restricted cash represents funds 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.

INVESTMENTS

The Organization's investments consist of publicly traded equity securities reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. Donated investments are recorded at fair value on the date of the gift, and the Organization's policy is to sell donated securities to convert them to cash as soon as they are transferred to the Organization.

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

GRANTS RECEIVABLE

Grants receivable consist primarily of grants receivable from government entities and private foundations. All amounts are expected to be collected within one year. 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, 2021 and 2020.

PREPAID EXPENSES AND OTHER ASSETS

The Organization's prepaid expenses consist of prepaid insurance and software maintenance costs, which are amortized as the expenses are incurred. Other assets consist of security deposits on leased office space and 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. During the years ended December 31, 2021 and 2020, the Organization capitalized approximately \$15,000 and \$12,000, respectively, of software costs consisting of salaries and related expenses and third party fees. Amortization is computed over an estimated useful life of three years with total amortization expense of approximately \$9,000 and \$0, for 2021 and 2020.

PROPERTY AND EQUIPMENT

Purchased property and equipment with a value of \$5,000 or greater is capitalized and stated at cost, net of accumulated depreciation and amortization. Property and equipment is reported at fair value on the date of the gift, net of accumulated depreciation and amortization. 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.

NET ASSETS

The consolidated financial statements report amounts by the following net asset classifications:

Net assets without donor restrictions are currently available at the discretion of the board of directors for use in operations.

Net assets with donor restrictions are contributed with donor stipulations for specific programs and purposes, as well as grants not yet received.

All contributions are considered available without donor restriction use unless specifically restricted by the donor.

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Organization. Conditional promises-to-give are recognized as revenue when the conditions on which they depend are substantially met.

Contributions are recorded as with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. The Organization has adopted the simultaneous release option for funds received through conditional government grants. Therefore, all funds received for which the Organization has met the barriers for revenue recognition have been treated as grants without donor restrictions on the consolidated statement of activities.

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. For the years ended December 31, 2021 and 2020, the Organization recognized approximately \$2,208,000 and \$1,674,000, of reimbursement grants, respectively.

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 leases office space under several operating lease agreements, expiring through January 2025 (Note 8). Under one of these agreements, the Organization is charged below-market-rent. For the years ended December 31, 2021 and 2020, the Organization recognized approximately \$17,000 and \$19,000, of donated rent at fair value, respectively, which represents the difference between the fair value of the lease payments and the lease payments made by the Organization in accordance with the lease agreement.

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued:

Paycheck Protection Program

In April 2020, the Organization signed a loan agreement through a financial institution to obtain funding for a Paycheck Protection Program (PPP) loan through the CARES Act, in the amount of \$302,700. The loan agreement provides for loan forgiveness up to the full amount of the loan, provided the Organization complies with certain loan stipulations. In December 2020, the full amount of the loan, plus accrued interest, was forgiven by the Small Business Administration (SBA). The Organization recognized the full balance of the loan as revenue in the without donor restrictions column on the consolidated statements of activities for the year ended December 31, 2020.

Other revenue is recorded as income when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

REVENUE CONCENTRATION

During the years ended December 31, 2021 and 2020, 43% and 42%, of total grant and contribution revenue, respectively, was received from one local city grantor. Management recognizes the operational implications of the concentration.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program services and supporting activities have been summarized in the consolidated statements of functional expenses, which reports certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, certain costs have been allocated among program and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel costs were allocated based on management's estimates of the level of effort associated with each category. Occupancy, depreciation and amortization costs were allocated based on the square footage use in each category. Other costs were allocated based on management's estimate of the benefit to each category. Furthermore, there are no joint costs that have been allocated among the program services, general and administrative, and fundraising functions.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform with the current year presentation. The following significant changes were made:

	<u>Balance Prior to Change</u>	<u>Reclassifications</u>	<u>Balance After the Change</u>
<u>Consolidated Statements of Financial Position:</u>			
December 31, 2020:			
Investments	\$ -	\$ 72,548	\$ 72,548
Prepaid expenses and other assets	\$ 132,088	\$ (42,276)	\$ 89,812
Capitalized software development costs	\$ 11,854	\$ (11,854)	\$ -
Security deposits	\$ 18,418	\$ (18,418)	\$ -
<u>Consolidated Statements of Activities:</u>			
Year Ended December 31, 2020:			
Program income	\$ 1,337	\$ (1,337)	\$ -
Other income	\$ -	\$ 1,337	\$ 1,337

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The financial assets are available to fund operating and funding requirements.

	December 31,	
	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 1,648,709	\$ 950,765
Restricted cash	109,961	5,757
Grants receivable	356,585	469,125
Contributions receivable	-	25,000
	2,115,255	1,450,647
Less those unavailable for general expenditure within one year due to:		
Restricted cash	(109,961)	(5,757)
Restricted by donors with time or purpose restrictions	(97,762)	(122,435)
	\$ 1,907,532	\$ 1,322,455

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	December 31,	
	2021	2020
Leasehold improvements	\$ 275,958	\$ 172,125
Furniture and equipment	40,224	31,540
Construction in progress	-	110,372
	316,182	314,037
Less accumulated depreciation	(139,547)	(68,525)
	\$ 176,635	\$ 245,512

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

5. LINE OF CREDIT:

In April 2020, the Organization entered into a line of credit agreement for \$300,000 with an interest rate of 3.25% that matured in April 2021. Upon the maturity in April 2021, the line of Credit was renewed under the same terms. As of December 31, 2021 and 2020, there was no outstanding on the line of credit.

6. NET ASSETS:

Net assets with donor restrictions are available for the following purpose or time restrictions:

	December 31,	
	2021	2020
Strategic planning	\$ 97,762	\$ 97,435
Restricted to future periods	-	25,000
Total net assets with donor restrictions	<u>\$ 97,762</u>	<u>\$ 122,435</u>

7. 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:

	December 31,	
	2021	2020
Attorneys	\$ 236,370	\$ 1,054,178
Rent	16,990	18,770
Fundraising and events	9,193	-
Property and equipment	5,000	-
Total	<u>\$ 267,553</u>	<u>\$ 1,072,948</u>

OPEN DOOR LEGAL AND AFFILIATE

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

8. LEASE COMMITMENTS:

The Organization has several operating leases for office space and equipment expiring at various dates through February 2027. Lease expense under noncancelable agreements for the periods ended December 31, 2021 and 2020, was approximately \$140,000 and \$126,000, respectively. The Organization recognizes rent expense of office space on a straight-line basis over the term of the operating leases.

The future minimum payments due are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 134,261
2023	128,784
2024	86,034
2025	11,176
2026	7,800
Thereafter	<u>1,300</u>
	<u>\$ 369,355</u>

9. RISKS AND UNCERTAINTIES:

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. The financial impact cannot be estimated at this time because the duration of the pandemic cannot be estimated.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 3, 2022, which represents the date the consolidated financial statements were available to be issued.