OPEN DOOR LEGAL

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

OPEN DOOR LEGAL

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
Open Door Legal
San Francisco, California

Opinion

We have audited the accompanying financial statements of Open Door Legal, which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Open Door Legal as of December 31, 2022 and 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 audits 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 Financial Statements* section of our report. We are required to be independent of Open Door Legal and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Open Door Legal’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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Board of Directors
Open Door Legal
San Francisco, California

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 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 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 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 Open Door Legal'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 Open Door Legal'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
May 15, 2023

OPEN DOOR LEGAL

Statements of Financial Position

	December 31, 2022	December 31, 2021
ASSETS:		
Cash and cash equivalents	$ 1,220,424	$ 1,648,709
Restricted cash	54,141	109,961
Investments	29,480	16,808
Grants receivable	556,683	356,585
Contributions receivable	76,894	-
Prepaid expenses and other assets	144,585	114,234
Right-of-use assets	328,587	-
Property and equipment, net	115,038	176,635
Total Assets	$ 2,525,832	$ 2,422,932
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 15,239	$ 29,339
Client escrow fund liability	54,141	109,961
Accrued expenses	293,599	234,546
Deferred revenue	4,599	39,860
Lease obligations	346,884	-
Total liabilities	714,462	413,706
Net assets:		
Without donor restrictions	1,722,576	1,911,464
With donor restrictions	88,794	97,762
Total net assets	1,811,370	2,009,226
Total Liabilities and Net Assets	$ 2,525,832	$ 2,422,932

See notes to financial statements

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Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:						
Grants and contributions	$ 4,506,079	$ 313,894	$ 4,819,973	$ 3,654,677	$ 165,600	$ 3,820,277
In-kind contributions	47,531	-	47,531	267,553	-	267,553
Event ticket and auction sales	45,650	-	45,650	65,311	-	65,311
Other income	10,632	-	10,632	581	-	581
Net assets released from restrictions	322,862	(322,862)	-	190,273	(190,273)	-
Total Support, Revenue, and Reclassifications	4,932,754	(8,968)	4,923,786	4,178,395	(24,673)	4,153,722
EXPENSES:						
Program services	3,475,834	-	3,475,834	2,905,298	-	2,905,298
Supporting activities:						
General and administrative	1,169,829	-	1,169,829	509,217	-	509,217
Fundraising	475,979	-	475,979	361,583	-	361,583
Total Expenses	5,121,642	-	5,121,642	3,776,098	-	3,776,098
Change in Net Assets	(188,888)	(8,968)	(197,856)	402,297	(24,673)	377,624
Net Assets, Beginning of Year	1,911,464	97,762	2,009,226	1,509,167	122,435	1,631,602
Net Assets, End of Year	$ 1,722,576	$ 88,794	$ 1,811,370	$ 1,911,464	$ 97,762	$ 2,009,226

See notes to financial statements

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Statements of Functional Expenses

	Year Ended December 31,							
	2022				2021			
		Supporting Activities				Supporting Activities		
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Personnel expenses	$ 2,796,386	$ 798,854	$ 398,394	$ 3,993,634	$ 2,179,828	$ 401,547	$ 286,819	$ 2,868,194
Occupancy	210,440	12,562	11,406	234,408	173,836	9,658	9,658	193,152
Other expenses	140,633	40,650	20,384	201,667	80,097	7,880	24,262	112,239
Professional services	97,770	92,293	180	190,243	273,412	29,371	-	302,783
Information technology	81,277	54,358	21,898	157,533	67,428	43,740	17,458	128,626
Bad Debt Expense	-	141,452	-	141,452	-	-	-	-
Depreciation and amortization	72,160	15,695	5,001	92,856	63,920	12,491	3,551	79,962
Insurance	50,806	13,965	6,452	71,223	34,425	4,530	6,342	45,297
Court and litigation fees	26,362	-	-	26,362	32,352	-	-	32,352
Event related costs	-	-	12,264	12,264	-	-	13,493	13,493
	$ 3,475,834	$ 1,169,829	$ 475,979	$ 5,121,642	$ 2,905,298	$ 509,217	$ 361,583	$ 3,776,098

See notes to financial statements

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Statements of Cash Flows

	Year Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (197,856)	$ 377,624
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributed marketable securities, net	(12,672)	55,740
Depreciation and amortization	92,856	79,963
Non-cash effect of change in accounting principle	(19,819)	-
Net change in:		
Grants receivable	(200,098)	112,540
Contributions receivable	(76,894)	25,000
Prepaid expenses and other assets	(39,291)	(18,397)
Accounts payable	(14,100)	(2,984)
Accrued expenses	59,053	45,709
Deferred revenue	(35,261)	39,860
Client escrow fund liability	(55,820)	104,204
Net Cash Provided (Used) by Operating Activities	(499,902)	819,259
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,758)	(2,146)
Capitalization of software development costs	-	(14,965)
Net Cash Used in Investing Activities	(14,758)	(17,111)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on finance lease obligations	7,392	-
Right-of-use assets obtained in exchange for lease obligation	23,163	-
Net Cash Provided by Financing Activities	30,555	-
Change in Cash, Cash Equivalents, and Restricted Cash	(484,105)	802,148
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,758,670	956,522
Cash and Cash Equivalents, and Restricted Cash, End of Year	$ 1,274,565	$ 1,758,670

(continued)

See notes to financial statements

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Statements of Cash Flows
(continued)

	Year Ended December 31,	
	2022	2021
SUMMARY OF CASH AND CASH EQUIVALENTS AT END OF YEAR:		
Cash and cash equivalents	$ 1,220,424	$ 1,648,709
Restricted cash	54,141	109,961
	$ 1,274,565	$ 1,758,670
SUPPLEMENTAL DISCLOSURES AND NON-CASH TRANSACTION:		
Right of use assets obtained in exchange for lease obligations	$ 454,493	$ -
Cash paid for interest	$ 408	$ -

See notes to financial statements

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The 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, 2022 and 2021, the Organization's cash balances exceeded federally insured limits by approximately $106,000 and $0, respectively.

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.

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 based upon the historical collection experience and management’s evaluation of collectability of outstanding balances. During the years ended December 31, 2022 and 2021, the allowance for doubtful accounts was approximately $141,000 and $0, respectively.

CONTRIBUTION RECEIVABLE

Contributions receivable consist of one unconditional commitment from a private foundation. The Organization provides an allowance for losses arising from uncollectible accounts and based upon the historical collection experience and management’s evaluation of collectability of outstanding balances. There is no allowance for contributions receivable at December 31, 2022 and 2021, as outstanding balances are considered fully collectible. The receivable is due in less than one year.

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, 2022 and 2021, the Organization capitalized approximately $0 and $15,000, 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 for both 2022 and 2021.

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Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RIGHT OF USE ASSETS AND LEASE OBLIGATIONS
The Organization adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating prior year amounts. The additional lease disclosures can be found in Note 4. As of December 31, 2022 right of use assets and lease obligations consist of:

	Assets	Liabilities
Operating leases	$ 299,602	$ 317,693
Financing leases	28,985	29,191
	$ 328,587	$ 346,884

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 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 contributions not yet received.

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

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, 2022 and 2021, the Organization recognized approximately $3,381,000 and $2,208,000, 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 2028 (Note 4). Under one of these agreements, the Organization is charged below-market-rent. For the years ended December 31, 2022 and 2021, the Organization recognized approximately $16,200 and $17,000, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued:
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, 2022 and 2021, 40% and 43%, 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. The Organization adopted this update for the year ended December 31, 2022. Some of the Organization's contracts contain the right to control the use of property or assets and are therefore considered leases. The Organization elected to adopt the transition relief provisions from ASU 2018-11, *Leases (Topic 842): Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. The Organization also elected the practical expedient to not separate lease and non-lease components. The additional lease disclosures can be found in Notes 4. The effect of the adjustment to the opening balance of net assets totaled $19,819. As it was deemed immaterial, the net asset difference was adjusted through Occupancy expense on the statements of activities and functional expenses. This amount is reported as a non-cash effect of change in accounting principle on the statements of cash flows.

During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958 of the FASB ASC). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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, 2022	December 31, 2021
Financial assets:		
Cash and cash equivalents	$ 1,220,424	$ 1,648,709
Restricted cash	54,141	109,961
Grants receivable	556,683	356,585
Contributions receivable	76,894	-
	1,908,142	2,115,255
Less those unavailable for general expenditure within one year due to:		
Restricted cash	(54,141)	(109,961)
Restricted by donors with time or purpose restrictions	(76,894)	(97,762)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,777,107	$ 1,907,532

4. RIGHT-OF-USE ASSETS AND OBLIGATIONS:

The Organization leases office space under three operating leases and equipment under a finance lease expiring at various dates through 2028. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments ranging from $650 to $4,800. Discount rates on these leases range from 1.23% to 2.78%.

	Operating Leases	Financing Lease
Right-of-use assets	$ 299,602	$ 28,985
Lease liabilities	$ 317,693	$ 29,191
Operating lease costs	$ 124,777	$ -
Weighted-average discount rate	1.64%	1.23%
Weighted-average remaining lease term	2.84 years	3.74 years

Future minimum lease payments required under the operating leases and financing lease that have an initial or remaining lease term in excess of one year are as follows:

Year Ending December 31,	Operating Leases	Financing Lease
2023	$ 123,982	$ 7,800
2024	78,228	7,800
2025	40,512	7,150
2026	40,512	7,150
2027	43,888	-
	327,122	29,900
Less imputed interest	(9,429)	(709)
	$ 317,693	$ 29,191

5. OPERATING LEASES:

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, the Organization was applying Topic 840 in relation to operating leases. The Organization recognizes rent expense of office space on a straight-line basis over the term of the operating leases. Lease expense under noncancelable agreements for the period ended December 31, 2021, was approximately $140,000.

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of:

	December 31, 2022	December 31, 2021
Leasehold improvements	$ 291,440	$ 275,958
Furniture and equipment	40,224	40,224
	331,664	316,182
Less accumulated depreciation	(216,626)	(139,547)
	$ 115,038	$ 176,635

7. LINE OF CREDIT:

The Organization has an unsecured line of credit from a bank in the amount of $300,000. The line of credit expires in April, 2023. During the year ended December 31, 2022, the interest rate was 3.50%. During the year ended December 31, 2021, the interest rate was 3.25%. There were no funds drawn against this line of credit during the years ended December 31, 2022 and 2021.

8. NET ASSETS:

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

	December 31, 2022	December 31, 2021
Strategic planning	$ 11,900	$ 97,762
Restricted to future periods	76,894	-
Total net assets with donor restrictions	$ 88,794	$ 97,762

9. IN-KIND CONTRIBUTIONS:

The value of donated goods and services recorded as in-kind contribution revenue in the financial statements consist of the following:

	December 31, 2022	December 31, 2021
Legal counsel for clients	$ 31,249	$ 236,370
Rent	16,282	16,990
Fundraising and events	-	9,193
Property and equipment	-	5,000
Total	$ 47,531	$ 267,553

Contributed items received by the Organization are recorded as gift-in-kind contributions. Expenses are recognized when the items are utilized. The Organization utilized three gift-in-kind valuation methods during the years ended December 31, 2022 and 2021. These methods include: (1) legal counsel for clients is valued based on the estimate of the hourly billing rate per attorney, (2) donated rent is valued at the difference between the fair rental value of the lease payments and the lease payments made by the Organization in accordance with the lease agreement, and (3) contributed fundraising and events and property and equipment items are valued based on the lower of estimated cost or fair market value. During the years ended December 31, 2022 and 2021, there were no associated donor restrictions on the in-kind contributions.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 15, 2023, which represents the date the financial statements were available to be issued.