RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Legal Aid Society
New York, New York

Report on the Financial Statements
We have audited the accompanying financial statements of The Legal Aid Society (the Society), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2015 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.

Report on Summarized Comparative Information
We have previously audited the Society's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter
As more fully described in Note 11 to the financial statements, the Society has accrued revenue amounting to $2,141,192 from unexecuted and/or unregistered contracts with New York State and City of New York Agencies. As a result, the New York State and City of New York Agencies may claim not to be obligated to pay the Society for the contract services performed. Consequently, the ultimate realization of these contract receivables is subject to the execution of these contracts by New York State and City of New York Agencies. Our opinion is not modified with respect to this matter.

RSM US LLP

New York, New York
October 28, 2015

The Legal Aid Society

Statement of Financial Position
June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015	2014
Assets		
Cash and Cash Equivalents	**$ 30,801,467**	$ 33,385,662
Receivables From Grants and Governmental Contracts	**28,814,309**	24,005,339
Investments, at Fair Value	**3,516,970**	3,443,447
Deferred Charges and Other Assets	**946,311**	760,053
Property and Equipment, at Cost, Net	**4,328,812**	4,485,359
Total assets	**$ 68,407,869**	$ 66,079,860
Liabilities and Net Asset Deficiency		
Liabilities		
Accounts payable and accrued expenses	**$ 2,169,954**	$ 2,216,493
Accrued payroll and other employee expenses	**28,596,235**	27,067,562
Program advances	**688,833**	6,758,345
Accrued postretirement health and benefits cost	**33,633,487**	28,828,613
Pension liability	**25,083,102**	22,359,724
Deferred lease incentives and lease obligations	**17,721,811**	18,260,695
Total liabilities	**107,893,422**	105,491,432
Commitments and Contingencies		
Net Assets		
Unrestricted	**(44,349,150)**	(44,200,149)
Temporarily Restricted	**2,797,574**	2,722,554
Permanently Restricted	**2,066,023**	2,066,023
Total net asset deficiency	**(39,485,553)**	(39,411,572)
Total liabilities and net asset deficiency	**$ 68,407,869**	$ 66,079,860

See Notes to Financial Statements.

The Legal Aid Society

Statement of Activities
Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**	Summarized Comparative Total
Support and Revenue					
Program support and revenue:					
Criminal Defense Practice	$ 152,946,526	$ 157,451	$ -	**$ 153,103,977**	$ 145,448,719
Juvenile Rights Practice	41,673,300	649,235	-	**42,322,535**	43,282,149
Civil Practice	27,367,940	3,714,278	-	**31,082,218**	21,230,743
Contributions (net of direct expenses related to the benefit)	14,264,240	15,989	-	**14,280,229**	14,305,794
Return on investments, net	23,769	73,523	-	**97,292**	488,664
Court awards	140,277	-	-	**140,277**	202,595
Other income	1,143	-	-	**1,143**	11,527
Net assets released from restrictions - satisfaction of program and time restrictions	4,535,456	(4,535,456)	-	**-**	-
Total support and revenue before in-kind contributions	240,952,651	75,020	-	**241,027,671**	224,970,191
Operating Expenses					
Program services:					
Criminal Defense Practice	142,042,734	-	-	**142,042,734**	132,206,170
Juvenile Rights Practice	40,947,554	-	-	**40,947,554**	39,481,305
Civil Practice	38,486,555	-	-	**38,486,555**	32,340,707
Total program services before in-kind contributions	221,476,843	-	-	**221,476,843**	204,028,182
Supporting services:		-	-		
Administrative expenses	13,647,055	-	-	**13,647,055**	13,066,261
Fundraising expenses	800,789	-	-	**800,789**	893,112
Total supporting services	14,447,844	-	-	**14,447,844**	13,959,373
Total operating expenses before in-kind contributions	235,924,687	-	-	**235,924,687**	217,987,555
Result of operations	5,027,964	75,020	-	**5,102,984**	6,982,636
In-Kind Contributions					
Revenue from legal services	83,645,391	-	-	**83,645,391**	91,042,379
Program expenses from legal services	(83,645,391)	-	-	**(83,645,391)**	(91,042,379)
Expense from other gift-in-kind contributions	-	-	-	**-**	(5,993,235)
Total in-kind contributions	-	-	-	**-**	(5,993,235)
Change in net assets before pension liability adjustment	5,027,964	75,020	-	**5,102,984**	989,401
Pension and Other Postretirement-Related Changes	-	-			
Other Than Net Periodic Costs	(5,176,965)	-	-	**(5,176,965)**	(2,561,451)
Change in net assets	(149,001)	75,020	-	**(73,981)**	(1,572,050)
Net Assets (Deficiency)					
Beginning	(44,200,149)	2,722,554	2,066,023	**(39,411,572)**	(37,839,522)
Ending	$ (44,349,150)	$ 2,797,574	$ 2,066,023	**$ (39,485,553)**	$ (39,411,572)

See Notes to Financial Statements.

The Legal Aid Society

Statement of Functional Expenses
Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015									2014
	Program Services					Supporting Services				
	Criminal Defense Practice	Juvenile Rights Practice	Civil Practice	Pro Bono Services	**Total Program Services**	Administrative	Fund-Raising	Total Supporting Services	**Total**	Summarized Comparative Total
Employee Expenses										
Professional staff salaries	$ 70,023,761	$ 20,321,389	$ 16,895,940	$ -	$ 107,241,090	$ 3,328,322	$ 196,050	$ 3,524,372	**$ 110,765,462**	$ 101,280,228
Support staff salaries	16,913,063	5,136,954	5,189,817	-	27,239,834	3,252,270	153,662	3,405,932	**30,645,766**	27,063,520
Fringe benefits and other employee costs	38,186,875	11,469,601	10,109,980	-	59,766,456	3,147,647	154,922	3,302,569	**63,069,025**	57,471,528
Total employee expenses	125,123,699	36,927,944	32,195,737	-	194,247,380	9,728,239	504,634	10,232,873	**204,480,253**	185,815,276
Other Expenses					-			-		
Occupancy costs	10,296,692	2,439,762	3,201,524	-	15,937,978	1,394,601	100,835	1,495,436	**17,433,414**	17,473,725
Communications	732,531	214,867	217,514	-	1,164,912	73,542	4,583	78,125	**1,243,037**	1,073,223
Office operating	718,172	234,569	200,274	-	1,153,015	285,773	2,787	288,560	**1,441,575**	1,377,584
Purchases and leases of furniture and equipment	1,397,617	235,738	797,444	-	2,430,799	415,753	27,166	442,919	**2,873,718**	4,390,316
Law books and reference materials	552,302	147,272	268,738	-	968,312	8,473	242	8,715	**977,027**	992,850
Trial minutes	331,480	166,087	5,932	-	503,499	-	-	-	**503,499**	460,655
Cost of investigations and expert witnesses	698,731	29,201	182,148	-	910,080	450	-	450	**910,530**	890,099
Professional services	87,568	78,811	179,780	-	346,159	361,303	857	362,160	**708,319**	401,503
Transportation	663,360	78,252	67,051	-	808,663	27,993	1,119	29,112	**837,775**	667,388
Insurance	458,340	140,267	123,358	-	721,965	28,280	2,541	30,821	**752,786**	721,473
Depreciation and amortization	588,143	163,038	515,435	-	1,266,616	92,590	-	92,590	**1,359,206**	1,773,755
Other	394,099	91,746	531,620	-	1,017,465	1,230,058	156,025	1,386,083	**2,403,548**	1,949,708
Total other expenses	16,919,035	4,019,610	6,290,818	-	27,229,463	3,918,816	296,155	4,214,971	**31,444,434**	32,172,279
Total expenses before contributed legal services and direct expenses related to the benefit	142,042,734	40,947,554	38,486,555	-	221,476,843	13,647,055	800,789	14,447,844	**235,924,687**	217,987,555
Contributed Legal Services	-	-	-	83,645,391	83,645,391	-	-	-	**83,645,391**	91,042,379
Other Gift-In-Kind Contributions	-	-	-	-	-	-	-	-	**-**	5,993,235
Direct Expenses Related to the Benefit	-	-	-	-	-	-	403,831	403,831	**403,831**	309,858
	-	-	-	83,645,391	83,645,391	-	403,831	403,831	**84,049,222**	97,345,472
Total 2015 expenses	$ 142,042,734	$ 40,947,554	$ 38,486,555	$ 83,645,391	$ 305,122,234	$ 13,647,055	$ 1,204,620	$ 14,851,675	**$ 319,973,909**	
Total 2014 expenses	$ 132,206,170	$ 39,481,305	$ 32,340,707	$ 97,035,614	$ 301,063,796	$ 13,066,261	$ 1,202,970	$ 14,269,231		$ 315,333,027

See Notes to Financial Statements.

The Legal Aid Society

Statement of Cash Flows
Year Ended June 30, 2015
(with summarized financial information for the year ended June 30, 2014)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	**$ (73,981)**	$ (1,572,050)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of deferred lease incentives	**(712,968)**	(706,483)
Amortization of deferred lease obligations	**174,084**	484,537
Depreciation and amortization	**1,359,206**	1,773,755
Contributed software	**-**	5,993,235
Realized and unrealized gain on investments	**(15,768)**	(396,768)
Accrued pension liability and postretirement health and benefits cost	**7,528,252**	1,170,257
Changes in operating assets and liabilities:		
Increase in receivables from grants and governmental contracts	**(4,808,970)**	(9,629,713)
(Increase) decrease in deferred charges and other assets	**(186,258)**	31,908
Decrease in accounts payable and accrued expenses	**(46,539)**	(58,779)
Increase in accrued payroll and other employee expenses	**1,528,673**	1,398,860
Decrease in program advances	**(6,069,512)**	(1,783,339)
Net cash used in operating activities	**(1,323,781)**	(3,294,580)
Cash Flows From Investing Activities		
Proceeds from sale of investments	**551,512**	1,135,354
Purchase of investments	**(609,267)**	(1,167,139)
Purchases of property and equipment	**(1,202,659)**	(479,267)
Net cash used in investing activities	**(1,260,414)**	(511,052)
Net decrease in cash and cash equivalents	**(2,584,195)**	(3,805,632)
Cash and Cash Equivalents		
Beginning	**33,385,662**	37,191,294
Ending	**$ 30,801,467**	$ 33,385,662
Supplemental Information of Noncash Investing Activity		
Leasehold improvement provided by landlord	**$ -**	$ 261,540

See Notes to Financial Statements.

Note 1. Organization

The Legal Aid Society (the Society) is a not-for-profit corporation founded in 1876 that provides legal services to the indigent of New York City through a number of operating practices. The Criminal Defense practice, which provides the majority of trial level public defender services in New York City, as well as the Criminal Appeals and Parole Revocation programs, are financed through contracts with the City and the State of New York. The Juvenile Rights practice is financed principally through a contract with the Office of Court Administration of the State of New York. The Civil practice relies on contracts with agencies of the City and the State of New York and the federal government, as well as on financial support from the public, including foundations, law firms, corporations and individuals.

Although the Society is not a governmental institution, it receives significant program revenue and other support through government contracts that are entered into on a periodic basis and are cancelable at any time. As a general rule, those contracts provide revenue to cover cash expenses of funded programs.

In its fiscal year ended June 30, 2015 (FY15), the Society had a negative cash flow of $2.6 million and recognized an unrestricted operating surplus of $5.0 million.

The Society's statement of financial position at June 30, 2015, shows cash and cash equivalents of $30.8 million, and working capital (excess of current assets over current liabilities) of $28.2 million. It also shows a net asset deficiency (excess of total liabilities over total assets) of $39.5 million, an increase of $73,981 from June 30, 2014. The net asset deficiency results from the actuarial determinations of (i) the future benefit obligations under the Society's "frozen" defined benefit pension plan which, like many such plans around the country, is underfunded due to market conditions and the current low interest rate environment and (ii) the future obligations of the Society to pay postretirement health and benefit costs that incorporate projected short-term trends in healthcare cost increases that are expected to level off in the future.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Society have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial statement presentation: The classification of a not-for-profit organization's net assets and its support and revenue is based on the existence or absence of donor-imposed restrictions. The amounts for each of three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are required to be shown in a statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The net assets of the Society and changes therein are classified and reported as follows:

(i) *Unrestricted*: Net assets resulting from contributions and other inflows of assets whose use by the Society is not subject to donor restrictions. Unrestricted amounts may be designated by the board of directors to cover any purposes determined by the Society.

(ii) *Temporarily restricted*: Net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Note 2. Summary of Significant Accounting Policies (Continued)

(iii) *Permanently restricted*: Net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for such investments purchased by the Society's investment managers as part of their long-term investment strategies.

Collectibility of receivables: All receivables are due for collections within one year.

Investments: Investments in equity and debt securities are stated at their fair values. Investment return is allocated among unrestricted and temporarily restricted net assets, based on donor restrictions or the absence thereof. Interest, dividends, and net appreciation (depreciation) in fair value of investments are included in investment return in the statement of activities.

Fair value: The Society follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles and applies to all financial instruments that are being measured and reported on a fair value basis. Accordingly, the Society classifies all its investments as Level 1, Level 2 or Level 3, depending on whether they can be valued by reference to published market prices. All of the Society's investments at June 30, 2015 are classified as Level 1 because they all could be valued by reference to quoted prices in active markets for identical assets.

Property and equipment: Purchases of property and equipment in excess of $10,000 per unit are capitalized. Depreciation of property and equipment is computed using the straight-line method and charged to expense over the estimated useful lives of the assets, ranging primarily from three to ten years. Property and equipment acquired with certain government contract funds are recognized as expenses pursuant to the terms of the contract in which the government funding source retains ownership of the property.

Leasehold improvements are amortized over the estimated useful life of the asset or the term of the lease, whichever is shorter.

Program advances: Program advances represent advances from third parties for services not yet performed as well as funds received from government agencies in which the funds have been allocated with the agency's agreement to cover future expenditures.

Court awards: Funds are awarded by the courts to the Society in certain non-Legal Aid cases in which there are remaining class action settlement funds. The amount of such awards in any given year cannot be estimated in advance because these awards are dependent on whether there are such residual settlement funds in particular cases and whether the Society is designated as a recipient. Therefore, such revenue is recognized upon receipt.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue and support: Contracts awarded by governmental agencies are recognized as revenue in the unrestricted net asset class as the related services are performed.

The Society records as revenue the following types of contributions when they are received unconditionally, at fair value: cash, promises to give, certain contributed services and gifts of long-lived assets and other assets. Conditional contributions, including cost reimbursement grants, are recognized as support when the conditions on which they depend have been substantially met.

- Contributions and promises to give are recorded as revenue when either cash is received or when donors make an enforceable promise to give. Contributions and promises to give are classified either as unrestricted, temporarily restricted or permanently restricted support, based on the donor's intent.

- Contributed services provided by attorneys on a pro bono basis are recorded as revenue and expenses at fair value, based on the attorneys' average billing rates.

A number of individuals have made a contribution of their time to serve on the Society's board of directors. The value of their contributed time is not reflected in the financial statements.

Tax-exempt status: The Society is qualified as a Section 501(c)(3) tax-exempt organization under Section 501(a) of the Internal Revenue Code (the IRC) and, accordingly, is not subject to federal income taxes. As a not-for-profit organization, the Society is also exempt from New York State and New York City sales and income taxes. The Society has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction for donors.

Management evaluated the Society’s income tax positions and concluded that the Society had taken no uncertain income tax positions that require adjustments or disclosures to the financial statements. Generally, the Society is not subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012, which is the standard statute of limitations look-back period.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

Concentration of credit risk: Financial instruments which potentially subject the Society to a concentration of credit risk consist primarily of cash and cash equivalents. At various times, the Society has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. The Society has not experienced any losses on these accounts.

Prior-year summarized comparative information: The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: The Society evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 28, 2015 for these financial statements.

Note 3. Investments

The fair value of the Society's endowment investments consists of the following:

	2015	2014
Cash equivalents	$ 182,709	$ 135,840
Mutual funds	3,334,261	3,307,607
	$ 3,516,970	$ 3,443,447

The return on endowment and other investments shown in the accompanying statement of activities consists of the following:

	2015	2014
Interest and dividends	$ 102,034	$ 111,245
Realized gain	86,706	83,582
Unrealized gain	(70,938)	313,186
Investment fees	(20,510)	(19,349)
	$ 97,292	$ 488,664

The Society's investments at June 30, 2015 and 2014 were held at one financial institution.

Note 4. Fair Value

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; Level 3 also includes observable inputs for nonbinding single-dealer quotes not corroborated by observable market data.

Investments and commercial paper stated at fair value at June 30 are as follows:

	Fair Value Using Quoted Prices in Active Markets for Identical Assets (All Level 1)	
	2015	2014
Cash equivalents	$ 182,709	$ 135,840
Mutual funds		
U.S. large-cap equities	1,033,954	908,200
U.S. mid-cap/small-cap equities	223,369	234,952
International equities	1,093,534	1,106,286
Core fixed income securities	983,404	1,058,169
Subtotal - investments	3,516,970	3,443,447
Commercial paper[(a)]	17,400,000	21,600,000
Total	$ 20,916,970	$ 25,043,447

(a) Commercial paper is classified as cash equivalent on the statement of Financial Position.

Mutual funds are valued at the net asset value (NAV) of shares held by the Society at year-end.

Commercial paper is a short-term unsecured promissory note issued by creditworthy corporations and banks. It earns competitive, market-determined yields/rates and is traded on all major exchanges. The commercial paper was issued by the financial institution at June 30, 2015 and 2014.

Note 5. Contributions

Contributions consisted of the following for each fiscal year:

	2015	2014
Contributions	$ 10,442,540	$ 10,911,213
Benefits and special events	4,031,520	3,651,895
Bequests	210,000	52,545
	14,684,060	14,615,653
Less related direct expenses	(403,831)	(309,859)
	$ 14,280,229	$ 14,305,794

Note 6. Property and Equipment

Property, equipment and leasehold improvements are summarized as follows:

	2015	2014
Property and leasehold improvements	$ 15,083,510	$ 14,573,872
Furniture and equipment	4,160,114	3,861,561
Computer and technology	5,031,476	5,683,753
Mobile outreach van	146,936	146,936
	24,422,036	24,266,122
Less accumulated depreciation and amortization	(20,093,224)	(19,780,763)
	$ 4,328,812	$ 4,485,359

Note 7. Commitments

As of June 30, 2015, annual future minimum lease payments, which exclude payments based on pass-through expenses and escalations under noncancelable operating leases for all of the Society's facilities, are approximately as follows:

Year Ending June 30,	
2016	$ 14,600,000
2017	14,800,000
2018	15,300,000
2019	15,900,000
2020	16,100,000
Thereafter	138,900,000
	$ 215,600,000

Note 7. Commitments (Continued)

Several leases for office space contain escalation clauses related to the lessor's real estate taxes, utilities and other building operating expenses. During fiscal 2015, the Society recognized increased occupancy expenses for additional space taken within several locations. The rental expense was approximately $13,470,000 and $12,991,000 for the years ended June 30, 2015 and 2014, respectively.

In 2004, the Society received net incentives from certain landlords of approximately $12,692,000 for the purchase of furniture and equipment and leasehold improvements, which is included in deferred lease obligations and lease incentives in the accompanying statement of financial position and is being amortized over 20 years, the term of the respective leases.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are recorded throughout the course of the year on the statement of activities. Temporarily restricted net assets are available for the following purposes at June 30:

	2015	2014
Civil Practice	$ 748,003	$ 570,578
Juvenile Rights Practice	391,675	456,988
Criminal Defense Practice	14,115	91,497
Endowment interest	1,450,947	1,377,424
Other	192,834	226,067
	$ 2,797,574	$ 2,722,554

The total of these net assets released from restriction due to satisfaction of time and purpose restrictions amounted to $4,535,456 and $4,262,027 during the years ended June 30, 2015 and 2014, respectively.

Note 9. Permanently Restricted Net Assets

The Society's endowment consists of 14 individual funds established for a variety of purposes. The endowments include only donor-restricted endowment funds. The Society's board of directors interprets the New York law as requiring that the Society classify the original value of gifts donated to the permanent endowment as permanently restricted net assets. Earnings on donor-restricted funds are classified separately as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Society in a manner consistent with its spending policies pursuant to the donor restrictions.

The board of directors has delegated authority to its Finance Committee to invest the endowment assets with the objective of achieving capital growth and income stability. On an annual basis and consistent with its spending policy, the Society decides whether to appropriate endowment funds for expenditure as part of its annual budgeting process. There were no appropriations in the fiscal years ended June 30, 2015 and 2014.

On a quarterly basis, the Finance Committee monitors the performance of the qualified investment professionals, the performance of the endowment and the objectives for and use of the earnings on the endowment to ensure that these are consistent with the directions of the donors and the mission of the Society. At least once a year, the Finance Committee reports to the board on these issues.

Note 9. Permanently Restricted Net Assets (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2014 and 2015 consist of:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, at June 30, 2013	$ 948,871	$ 2,066,023	$ 3,014,894
Investment return			
Investment gain	428,553	-	428,553
Total investment return	428,553	-	428,553
Endowment net assets, at June 30, 2014	1,377,424	2,066,023	3,443,447
Investment return			
Investment gain	73,523	-	73,523
Total investment return	73,523	-	73,523
Endowment net assets, at June 30, 2015	$ 1,450,947	$ 2,066,023	$ 3,516,970

Note 10. Employee Benefit Plans

All current employees of the Society are covered either by a defined contribution plan or by a multi-employer pension plan. In addition, certain current management and nonunion employees who began their employment with the Society prior to December 1, 2004 are covered by the Society's retirement plan (the Retirement Plan), a defined benefit plan.

Benefits under the Retirement Plan are generally based upon years of service and the salary of the employee. The assets of the Retirement Plan consist primarily of mutual funds. Effective July 1, 1999, the Society amended its Retirement Plan to include a cash balance feature and a lump-sum option. On November 30, 2004, the Society froze the accumulation of Retirement Plan benefits as part of its financial restructuring. The Retirement Plan was replaced by a defined contribution plan effective December 1, 2004.

Because of the underfunding due to the economic downturn and based on funding requirements, the payment to the Retirement Plan was approximately $2,237,000 in fiscal year 2015. The Society expects to contribute approximately $2,131,000 in fiscal year 2016.

The Society made a contribution to the defined contribution plan for nonunion employees of approximately $1,864,000 and $1,928,000 in fiscal 2015 and 2014, respectively.

Pursuant to a collective bargaining agreement that covers a number of its employees, the Society made contributions related to the Service Employees International Union, Local 1199 pension fund, which is a national multi-employer pension plan, of approximately $2,314,000 and $2,172,000 in fiscal 2015 and 2014, respectively.

Note 10. Employee Benefit Plans (Continued)

The risks of participating in a multiemployer plan are different from single employer plans in the following respects:

(a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the Society stops participating in the multiemployer plan, and continues in business, The Society could be required to pay an amount, referred to as withdrawal liability, based on the unfunded status of the plan.

The legal name of the pension fund is 1199SEIU Health Care Employees Pension Fund. The EIN/Pension Plan Number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status available in 2014, 2013 and 2012 are for the plan's year-end at December 31, 2014, 2013 and 2012, respectively. For each of these years, the plan’s PPA zone status is “Green Zone”. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The funded percentages for these years are 90.7%, 91.7% and 89.6%, respectively. The expiration date of the collective bargaining agreement requiring contributions is September 30, 2015. There is no funding improvement plan or rehabilitation plan that has been implemented or pending.

The Society’s participation in the plan for the annual period ended December 31, 2014, is outlined in the table below.

Year	Employer Contributions	Greater Than 5% of Total
2014	$ 2,520,854	No
2013	1,923,020	No
2012	1,617,861	No

Pursuant to a collective bargaining agreement, the Society made contributions related to the Association of Legal Aid Attorneys defined contribution plan, which covers unionized staff attorneys, of $5,045,000 and $4,647,000 in fiscal 2015 and 2014, respectively.

The Society also has other postretirement benefits plans covering substantially all its employees. The Society funds its postretirement benefits other than pensions on a pay-as-you-go basis. Such benefits consist of medical, dental, and vision premiums.

Note 10. Employee Benefit Plans (Continued)

In addition, the Society accounts for long-term disability benefits in accordance with ASC Topic 712, *Nonretirement Postemployment Benefits*. The costs recognized for long-term disability premiums in fiscal years 2015 and 2014 amounted to approximately $709,000 and $573,000, respectively. The corresponding costs recognized for the change in the long-term benefit obligation for healthcare in fiscal 2015 and 2014 is $603,000 and $679,000, respectively.

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2015	2014	2015	2014
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 81,813,389	$ 77,980,201	$ 28,828,613	$ 23,174,909
Service cost	-	-	959,946	751,358
Interest cost	3,081,924	3,313,044	1,272,514	1,202,868
Plan participants' contributions	-	-	83,202	62,786
Actuarial loss	2,521,128	4,521,758	3,182,232	4,248,392
Benefits paid	(5,969,372)	(4,001,614)	(693,020)	(611,700)
Benefit obligation at end of year	81,447,069	81,813,389	33,633,487	28,828,613
Change in Plan Assets				
Fair value of plan assets at beginning of year	59,453,665	51,137,030	-	-
Actual return on plan assets	1,297,587	6,952,747	-	-
Employer contributions	2,237,124	5,931,203	609,818	548,914
Plan participants' contributions	-	-	83,202	62,786
Benefits paid	(5,969,372)	(4,001,614)	(693,020)	(611,700)
Expenses paid	(655,037)	(565,701)	-	-
Fair value of plan assets at end of year	56,363,967	59,453,665	-	-
Funded status at end of year	$ (25,083,102)	$ (22,359,724)	$ (33,633,487)	$ (28,828,613)

Note 10. Employee Benefit Plans (Continued)

	Retirement Plan Benefits		Postretirement Health and Benefits	
June 30,	2015	2014	2015	2014
Amounts Recognized as Liabilities in the Statement of Financial Position	$ (25,083,102)	$ (22,359,724)	$ 33,633,487	$ 28,828,613
Amounts Recognized as Cumulative Changes in Pension and Other Postretirement Costs Other Than Net Periodic Costs:				
Prior service credit	$ -	$ -	$ 149,576	$ 207,359
Net actuarial loss	32,711,031	30,294,183	12,285,013	9,467,113
Net amount recognized	$ 32,711,031	$ 30,294,183	$ 12,434,589	$ 9,674,472
Components of Net Benefit Cost				
Components of net periodic benefit cost:				
Service	$ -	$ -	$ 959,946	$ 751,358
Expense	620,000	610,000	-	-
Interest	3,081,924	3,313,044	1,272,514	1,202,868
Expected return on plan assets	(4,286,396)	(3,747,381)	-	-
Amortization of prior service cost	-	-	57,783	(391,374)
Amortization of losses	3,128,126	3,096,373	364,332	254,035
Net periodic cost	2,543,654	3,272,036	2,654,575	1,816,887
Changes in Pension and Postretirement Costs Other Than Net Periodic Costs				
Prior service cost (credit)	-	-	(57,783)	391,374
Net loss (gain)	2,416,848	(1,824,280)	2,817,900	3,994,357
Net other than periodic cost	2,416,848	(1,824,280)	2,760,117	4,385,731
Net benefit (credit) cost	$ 4,960,502	$ 1,447,756	$ 5,414,692	$ 6,202,618

Note 10. Employee Benefit Plans (Continued)

During fiscal 2015, the mortality table was updated to the RP-2014 Mortality Table, with application of the MP-2014 improvement scale on a fully generational basis. These reflect research published by the Society of Actuaries since the previous measurement date.

Weighted-average assumptions to determine benefit obligations at June 30:

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2015	2014	2015	2014
Discount rate	4.25%	4.00%	4.90%	4.60%

Weighted-average assumptions used to determine net periodic benefit cost at June 30:

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2015	2014	2015	2014
Discount rate	4.00%	4.45%	4.60%	5.05%
Expected return on plan assets	8.00%	7.75%	N/A	N/A

The assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. For measurement purposes, the assumed rates for future increases in healthcare is 7.35%, which is based on national trends, is 7.35% in 2016 and was 8.0% in 2015. The 7.35% rate in 2016 is expected to gradually decline to 4.5% in 2024.

The effect of a one-percentage-point change in the healthcare cost trend rate on the year-end postretirement health benefit obligation and total service and interest cost components for the year ended June 30, 2015 is as follows:

	One-Percentage-Point Decrease	One-Percentage-Point Increase
Year-end postretirement health benefit obligation	$ (5,836,000)	$ 7,588,000
Total of service and interest cost components	(437,000)	583,000

Note 10. Employee Benefit Plans (Continued)

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending June 30,	Retirement Plan Benefits	Postretirement Health Benefits
2016	$ 6,670,516	$ 670,000
2017	6,746,869	779,000
2018	6,677,179	833,000
2019	6,365,449	938,000
2020	6,160,097	999,000
2021 - 2025	27,262,138	6,673,000

The Society has adopted a policy for the investment of the assets of the Retirement Plan, which is administered by, and may be altered by, the Retirement and Benefits Committee of the Society's board of directors. The investment policy has been established to consider both the current and projected financial requirements of the Retirement Plan. The Retirement Plan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Retirement Plan uses a balanced asset allocation including both equity-based and fixed income investments to achieve its long-term objectives. Those objectives are:

- Maximize return within reasonable and prudent levels of risk of loss of principal.
- Maintain sufficient liquidity to meet benefits payment obligations on a timely basis.

The portfolio approach for the Retirement Plan is to maintain a balance of approximately 60% in equities and 40% in fixed income. Equity securities include investments in mutual funds invested in large-, mid-, and small-cap companies located in the United States and internationally. Fixed income securities are comprised of mutual funds invested in low-risk interest-bearing investments.

Note 10. Employee Benefit Plans (Continued)

The fair value of the Retirement Plan's investments at June 30, 2015 and 2014 (all of which are Level 1 – see Note 2), by asset category, are as follows:

	Fair Value Using Quoted Prices in Active Markets for Identical Assets (All Level 1) 2015	2014	% 2015	% 2014
Cash Equivalents	$ 1,173,768	$ 5,153,048	2.1%	8.7%
Mutual Funds				
Large-cap	18,393,260	18,599,479	32.6%	31.3%
Mid-cap	4,927,952	3,509,706	8.7%	5.9%
Small-cap	3,341,209	2,231,241	5.9%	3.8%
International	6,038,706	5,175,738	10.7%	8.7%
Emerging markets	2,894,818	4,176,789	5.1%	7.0%
Equity REITs	885,493	900,476	1.6%	1.5%
Indexed trust fund	466,759	576,636	0.8%	1.0%
Fixed income	18,242,002	19,130,552	32.5%	32.1%
	$ 56,363,967	$ 59,453,665	100.0%	100.0%

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Valued at the net asset value held by the Retirement Plan at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes that its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 11. Contingencies

There are a number of pending legal actions against the Society which, in the opinion of management, will not result in material loss to the Society and no amounts have been accrued in the accompanying financial statements for such contingency.

As of June 30, 2015, receivables from grants and governmental contracts include accrued revenue aggregating $2,141,192 from unexecuted and/or unregistered contracts with the State/City of New York Agencies as of June 30, 2015. The ultimate realization of these contracts receivable is subject to the execution of these contracts by New York State and City of New York Agencies. However, management believes that the Society will ultimately collect these amounts as these are amounts due for services performed or expenditures incurred on recurring contracts with the New York State and City of New York Agencies.

Certain grants and contracts are currently subject to and may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.