The Legal Aid Society

Financial Report
June 30, 2023

Contents

Independent Auditor's Report

Board of Directors
The Legal Aid Society

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The Legal Aid Society (the Society), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society 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.

Emphasis of Matter
As described in Note 2 to the financial statements, effective in fiscal year 2023, the Society adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 842 Leases, which resulted in the Society recording of the right-of-use (ROU) assets and lease liabilities related to the Society's operating leases of approximately $314.6 million and $339.2 million, respectively, and the ROU assets and lease liabilities related to the Society finance leases of approximately $0.9 million on July 1, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 15 of the financial statements, the Society, subsequent to the issuance of the June 30, 2023 financial statements dated March 28, 2024, an error was identified within the financial statements and as a result a note in the previously issued June 30, 2023 financial statements has been corrected. Our opinion is not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Society's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

New York, New York
March 28, 2024, except for Note 15, as to which the date is March 4, 2025

The Legal Aid Society

Statement of Financial Position
June 30, 2023
(With Comparative Financial Information as of June 30, 2022)

	2023	2022
Assets		
Cash and cash equivalents	**$ 41,820,069**	$ 48,053,395
Receivables from grants, governmental contracts and other	**106,927,375**	81,494,964
Investments, at fair value	**9,577,071**	10,320,823
Deferred charges and other assets	**2,436,806**	1,414,049
Property and equipment, at cost, net	**11,524,671**	8,250,370
Pension assets	**1,818,774**	-
Finance lease right-of-use assets	**679,809**	-
Operating lease right-of-use assets	**311,197,733**	-
Total assets	**$ 485,982,308**	$ 149,533,601
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 5,426,682**	$ 12,711,083
Accrued payroll and other employee expenses	**51,760,911**	36,396,222
Program advance	**22,930,304**	16,236,234
Leasehold improvement payment from landlord	**-**	3,285,514
Accrued postretirement health and benefits cost	**48,153,628**	51,352,054
Pension liability	**-**	2,612,526
Deferred lease incentives and lease obligations	**-**	21,261,891
Operating lease liabilities	**347,810,525**	-
Finance lease liabilities	**687,957**	-
Total liabilities	**476,770,007**	143,855,524
Commitments and contingencies		
Net assets:		
Without donor restrictions	**2,111,689**	(1,170,255)
With donor restrictions		
Purpose and time restricted	**4,994,589**	4,742,309
Perpetual in nature	**2,106,023**	2,106,023
Total net assets with donor restrictions	**7,100,612**	6,848,332
Total net assets	**9,212,301**	5,678,077
Total liabilities and net assets	**$ 485,982,308**	$ 149,533,601

See notes to financial statements.

The Legal Aid Society

Statement of Activities
Year Ended June 30, 2023
(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Summarized Comparative Total
Support and revenue:				
Program support and revenue:				
Criminal defense practice	**$ 212,282,412**	**$ 370,418**	**$ 212,652,830**	$ 200,431,826
Juvenile rights practice	**49,625,040**	**122,342**	**49,747,382**	48,927,731
Civil practice	**88,334,928**	**3,492,382**	**91,827,310**	85,846,956
Administrative grant	**-**	**-**	**-**	1,080,712
Contributions (net of direct expenses related to the benefit)	**15,567,645**	**55,165**	**15,622,810**	14,440,108
Return (loss) on investments, net	**952,276**	**599,249**	**1,551,525**	(947,475)
Court awards	**136,502**	**-**	**136,502**	42,592
Other income	**5,302,510**	**-**	**5,302,510**	169,018
Net assets released from restrictions—satisfaction of program and time restrictions	**4,387,276**	**(4,387,276)**	**-**	-
Total support and revenue before in-kind contributions	**376,588,589**	**252,280**	**376,840,869**	349,991,468
Operating expenses:				
Program services:				
Criminal defense practice	**208,627,480**	**-**	**208,627,480**	187,426,558
Juvenile rights practice	**49,509,252**	**-**	**49,509,252**	48,790,540
Civil practice	**95,212,634**	**-**	**95,212,634**	90,480,441
Total program services before in-kind contributions	**353,349,366**	**-**	**353,349,366**	326,697,539
Supporting services:				
Administrative expenses	**24,523,188**	**-**	**24,523,188**	26,108,354
Fundraising expenses	**1,733,734**	**-**	**1,733,734**	1,912,963
Total supporting services	**26,256,922**	**-**	**26,256,922**	28,021,317
Total operating expenses before in-kind contributions	**379,606,288**	**-**	**379,606,288**	354,718,856
Results of operations before in-kind contributions	**(3,017,699)**	**252,280**	**(2,765,419)**	(4,727,388)
Contributed nonfinancial assets:				
Revenue from legal services	**81,755,613**	**-**	**81,755,613**	88,981,574
Program expenses from pro bono services	**(81,755,613)**	**-**	**(81,755,613)**	(88,981,574)
Total contributed nonfinancial assets	**-**	**-**	**-**	-
Change in net assets before pension liability adjustment	**(3,017,699)**	**252,280**	**(2,765,419)**	(4,727,388)
Pension and other postretirement-related changes:				
Other than net periodic costs	**6,299,643**	**-**	**6,299,643**	21,521,247
Change in net assets	**3,281,944**	**252,280**	**3,534,224**	16,793,859
Net assets:				
Beginning	**(1,170,255)**	**6,848,332**	**5,678,077**	(11,115,782)
Ending	**$ 2,111,689**	**$ 7,100,612**	**$ 9,212,301**	$ 5,678,077

See notes to financial statements.

The Legal Aid Society

Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

	2023									2022
	Program Services					Supporting Services				
	Criminal Defense Practice	Juvenile Rights Practice	Civil Practice	Pro Bono Services	Total Program Services	Administrative	Fundraising	Total Supporting Services	Total	Summarized Comparative Total
Employee expenses:										
Professional staff salaries	$ 90,561,308	$ 21,855,795	$ 37,845,177	$ -	$ 150,262,280	$ 7,007,203	$ 615,508	$ 7,622,711	$ 157,884,991	$ 150,466,599
Support staff salaries	28,720,534	6,630,392	11,569,380	-	46,920,306	5,121,300	300,830	5,422,130	52,342,436	45,274,977
Fringe benefits and other employee costs	57,401,738	14,562,931	25,184,721	-	97,149,390	6,223,122	471,031	6,694,153	103,843,543	98,979,749
Total employee expenses	176,683,580	43,049,118	74,599,278	-	294,331,976	18,351,625	1,387,369	19,738,994	314,070,970	294,721,325
Other expenses:										
Occupancy costs	20,203,677	4,730,522	9,836,664	-	34,770,863	26,499	-	26,499	34,797,362	33,203,249
Communications	1,306,597	350,918	606,033	-	2,263,548	118,288	8,083	126,371	2,389,919	2,349,339
Office operating	1,367,134	302,606	504,097	-	2,173,837	414,800	13,843	428,643	2,602,480	2,434,497
Purchases and leases of furniture and equipment	1,994,621	247,779	1,021,252	-	3,263,652	813,269	114,894	928,163	4,191,815	4,978,932
Law books and reference materials	571,997	121,440	604,716	-	1,298,153	17,005	3,336	20,341	1,318,494	1,331,391
Trial minutes	338,835	83,449	14,558	-	436,842	-	-	-	436,842	356,172
Cost of investigations and expert witnesses	1,571,816	81,874	681,078	-	2,334,768	4,740	-	4,740	2,339,508	2,104,986
Professional services	821,836	48,092	4,008,395	-	4,878,323	2,367,778	35,575	2,403,353	7,281,676	5,510,332
Transportation	788,228	46,718	63,486	-	898,432	40,184	220	40,404	938,836	594,578
Insurance	465,142	121,511	229,319	-	815,972	60,593	4,555	65,148	881,120	866,618
Depreciation and amortization	142,708	47,595	322,179	-	512,482	108,753	-	108,753	621,235	495,049
Bad debt expense	1,931,395	174,135	560,957	-	2,666,487	500	-	500	2,666,987	-
Other	439,914	103,495	2,160,622	-	2,704,031	2,199,154	165,859	2,365,013	5,069,044	5,772,388
Total other expenses	31,943,900	6,460,134	20,613,356	-	59,017,390	6,171,563	346,365	6,517,928	65,535,318	59,997,531
Total expenses before contributed legal services and direct expenses related to the benefit	208,627,480	49,509,252	95,212,634	-	353,349,366	24,523,188	1,733,734	26,256,922	379,606,288	354,718,856
Contributed legal services	-	-	-	81,755,613	81,755,613	-	-	-	81,755,613	88,981,574
Direct expenses related to the benefit	-	-	-	-	-	-	481,111	481,111	481,111	453,699
	-	-	-	81,755,613	81,755,613	-	481,111	481,111	82,236,724	89,435,273
Total 2023 expenses	$ 208,627,480	$ 49,509,252	$ 95,212,634	$ 81,755,613	$ 435,104,979	$ 24,523,188	$ 2,214,845	$ 26,738,033	$ 461,843,012	
Total 2022 expenses	$ 187,426,558	$ 48,790,540	$ 90,480,441	$ 88,981,574	$ 415,679,113	$ 26,108,354	$ 2,366,662	$ 28,475,016		$ 444,154,129

See notes to financial statements.

The Legal Aid Society

Statement of Cash Flows
Year Ended June 30, 2023
(With Summarized Comparative Financial Information for the Year Ended June 30, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 3,534,224**	$ 16,793,859
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	**2,666,987**	-
Rent forgiveness from landlord	**3,827,735**	-
Amortization of deferred lease incentives	**-**	(832,753)
Amortization of deferred lease obligations	**-**	7,994,247
Depreciation and amortization	**621,235**	495,049
Realized and unrealized (gain) loss on investments	**(514,404)**	1,133,452
Pension and other postretirement-related changes, other than net periodic costs	**(6,299,643)**	(21,521,247)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables from grants, governmental contracts and other	**(28,099,398)**	16,152,516
Increase in deferred charges and other assets	**(1,022,757)**	(587,483)
Increase in operating lease right of use assets	**(335,745,138)**	-
Decrease in accounts payable and accrued expenses	**(11,112,136)**	(420,991)
Increase (decrease) in accrued payroll and other employee expenses	**15,364,689**	(514,562)
Increase in program advances	**6,694,070**	15,283,713
Increase in accrued postretirement health and benefits cost	**288,163**	1,741,852
Decrease in pension liability	**(1,618,246)**	(2,100,000)
Increase in operating lease liabilities	**347,810,525**	-
Net cash (used in) provided by operating activities	**(3,604,094)**	33,617,652
Cash flows from investing activities:		
Proceeds from sale of investments	**1,782,880**	2,193,920
Purchase of investments	**(524,724)**	(2,379,681)
Purchase of property and equipment	**(3,659,304)**	(4,814,594)
Net cash used in investing activities	**(2,401,148)**	(5,000,355)
Cash flows from financing activities:		
Payment on line of credit	**-**	(2,250,000)
Leasehold improvement payment from landlord	**-**	3,285,514
Payment on finance leases	**(228,084)**	-
Net cash (used in) provided by financing activities	**(228,084)**	1,035,514
Net (decrease) increase in cash and cash equivalents	**(6,233,326)**	29,652,811
Cash and cash equivalents:		
Beginning	**48,053,395**	18,400,584
Ending	**$ 41,820,069**	$ 48,053,395
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	**$ 19,101**	$ 31,797

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 defense 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, 2023, the Society recognized an operating deficit without donor restrictions (excess of expenses, other than postretirement charges, over revenue) of $3.0M. Total assets grew by $336M. The increase is a combination of the establishment of $311M in operating lease right-of-use assets (see Note 2), an increase in receivables from grants, governmental contracts and other of $25.4M, an increase in property and equipment of $3.3M, and offset by a decrease in cash and cash equivalents of $6.2M. The Society's overall working capital was $75M (consisting of cash and cash equivalents, accounts receivable, prepaid expenses and non-endowment investments, less accounts payable, other accrued expenses and program advances).

The Society's statement of financial position at June 30, 2023, shows cash and cash equivalents of $41.8M, and total assets of $486M. It also shows a net asset (excess of total assets over total liabilities) of $9.2M. This is compared with a net asset of $5.7M at June 30, 2022. The fluctuation in liabilities from year to year is mainly due to actuarial determinations of: (i) the future obligations of the Society to pay postretirement and post-employment health and benefit costs that incorporate projected short-term trends in healthcare cost increases, and (ii) the future benefit obligations under the Society's frozen defined benefit pension plan which, like many such plans around the country, was historically underfunded. On December 14, 2016, the Society's board of directors adopted a plan designed to reduce the net asset deficiency in the Society's defined benefit pension plan to $0 over 15 years. At June 30, 2023, the pension plan constituted a net asset was $1.8M, compared with a net asset liability of $2.6M as of June 30, 2022.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Society have been prepared on the accrual basis of accounting. 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 two classes of net assets, without donor restrictions and with donor restrictions, 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:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), 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.

Collectability of receivables: All receivables are due for collection within one year.

Investments: Investments in equity and debt securities are stated at their fair values. Investment return is allocated among net assets without donor restrictions and net assets with donor restrictions, based on donor restrictions, or the absence thereof. Interest, dividends and net appreciation (depreciation) in fair value of investments are included in return on investments, net 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. See Note 4 for the definition of fair value hierarchy.

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 10 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.

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 net assets without donor restrictions class when the conditions are met.

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.

As of June 30, 2023 and 2022, the Society had outstanding unrecorded conditional receivables from grants, governmental contracts and other of approximately $85,000,000 and $54,165,000, respectively. Revenue for these conditional grants and contracts will be recognized in future periods when the related barriers are overcome or when the conditions 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 support without donor restrictions or support with donor restrictions, 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.

Leases: The Society determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Society also considers whether its service arrangements include the right to control the use of an asset.

The Society made an accounting policy election available under Topic 842 to not recognize right-of-use (ROU) assets and lease liabilities for short-term leases (leases with a term of 12 months or less). For all other leases, the initial measurement is based on the present value of future lease payments over the remaining lease term as of the commencement date (or July 1, 2022 for existing leases upon the adoption of Topic 842). Lease payments may include future escalations based on an index or other rate (such as the consumer price index), which the Society initially measures using the index or rate at lease commencement. Subsequent changes or other periodic market-rate adjustments to base rent are recorded as variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease liability only when it is probable they will be incurred. To determine the present value of lease payments, the Society has made an accounting policy election available to non-public companies to use a risk-free rate, which is aligned with the lease term at the lease commencement date (or the remaining term for leases existing upon the adoption of Topic 842). The ROU assets are also adjusted for any initial direct costs incurred and lease payments made at or before the commencement date, and are reduced by lease incentives.

The Society has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all asset classes. The non-lease components represent additional services transferred to the Society, which are typically variable in nature and recorded in variable lease expense in the period incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

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 2020, which is the standard statute of limitations look-back period.

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 (FDIC) 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

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 March 28, 2024, for these financial statements.

Recently adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations related to their leasing arrangements. Topic 842 requires lessees to recognize lease assets representing the right to use an underlying ROU asset and lease liabilities representing the obligation to make lease payments over the lease term, measured on a discounted basis, for substantially all leases. The new lease standard retains a distinction between finance leases and operating leases using classification criteria that is substantially similar to the previous lease guidance, with classification affecting the pattern of expense recognition in the statement of activities. Topic 842 also requires significant incremental quantitative and qualitative disclosures about leasing arrangements, including information depicting the amount, timing and uncertainty of cash flows pertaining to an entity's leases. The Society adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which requires the Society to apply Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with Topic 840.

The Society elected the "package of practical expedients", which permitted the Society to retain legacy lease classifications and initial direct costs treatment at transition. The Society also did not reassess whether any existing contracts as of July 1, 2022 are or contain leases and therefore continued its initial determination under the legacy guidance. The Society did not elect the "hindsight" practical expedient, and therefore will measure the ROU assets and lease liabilities using the remaining lease terms upon the adoption of Topic 842 on July 1, 2022.

Note 2. Summary of Significant Accounting Policies (Continued)

Adoption of Topic 842 resulted in the recording of the ROU assets and lease liabilities related to the Society's operating leases of approximately $314.6 million and $339.2 million, respectively, and the ROU and lease liabilities related to the Society finance leases of approximately $0.9 million on July 1, 2022. The adoption of the new lease standard did not materially impact the Society's change in net assets or cash flows, and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Recently issued accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This update represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU is effective for fiscal years beginning after December 15, 2022. The Society is evaluating the impact of this ASU on the financial statements.

In November 2019, the FASB issued ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. This ASU provides narrow-scope improvements to Topic 326. For entities that have not yet adopted ASU 2016-13 as of November 26, 2019, the effective dates for ASU 2019-11 are the same as the effective dates and transition requirements in ASU 2016-13. The Society is evaluating the impact of this ASU on the financial statements.

Note 3. Liquidity and Availability of Resources

The following represents the Society's financial assets as of June 30, 2023 and 2022, available to meet general expenditures over the next 12 months:

	2023	2022
Financial assets at June 30:		
Cash and cash equivalents	$ 41,820,069	$ 48,053,395
Receivables from grants, governmental contracts and other	106,927,375	81,494,964
Investments	9,577,071	10,320,823
Total financial assets	158,324,515	139,869,182
Less:		
Amounts subject to satisfaction or appropriation	(1,490,018)	(1,836,987)
Donor restricted endowment funds	(5,610,594)	(5,011,345)
Financial assets available to meet cash needs for general expenditures within one year	$ 151,223,903	$ 133,020,850

The Society's goal is to actively manage working capital to achieve short-term asset levels equivalent to three to four months of the year's average monthly expenses. At all times, the Society strives to maintain, at minimum, $30M, which equates to approximately one month's average expenses, in cash and cash equivalents, and marketable securities.

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 (NYSE).

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.

The Society's investments measured at fair value on a recurring basis, consist of the following as of June 30, 2023 and 2022:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 222,726	$ -	$ -	$ 222,726
Mutual funds:				
U.S. large cap equities	2,716,568	-	-	2,716,568
International equities	1,240,077	-	-	1,240,077
Core fixed income securities	1,500,835	-	-	1,500,835
Total mutual funds	5,457,480	-	-	5,457,480
Fixed income:				
Corporate bonds	-	3,896,865	-	3,896,865
Total fixed income	-	3,896,865	-	3,896,865
Total investments	$ 5,680,206	$ 3,896,865	$ -	$ 9,577,071

Note 4. Fair Value (Continued)

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	$ 1,646,560	$ -	$ -	$ 1,646,560
Mutual funds:				
U.S. large cap equities	2,506,514	-	-	2,506,514
International equities	1,145,690	-	-	1,145,690
Core fixed income securities	1,300,338	-	-	1,300,338
Total mutual funds	4,952,542	-	-	4,952,542
Fixed income:				
Corporate bonds	-	3,721,721	-	3,721,721
Total fixed income	-	3,721,721	-	3,721,721
Total investments	$ 6,599,102	$ 3,721,721	$ -	$ 10,320,823

Mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded. These funds are required to publish their daily net asset value (NAV) and to transact at that price, which constitutes an active market.

Fixed income is valued based on the last reported bid price provided by broker-dealers.

The Society's investments at June 30, 2023 and 2022, were held at one financial institution.

The Society assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers among Levels 1, 2 and 3 during the years ended June 30, 2023 and 2022.

Note 5. Contributions

Contributions consisted of the following for each fiscal year:

	2023	2022
Contributions	$ 12,917,137	$ 11,631,097
Benefits and special events	3,185,608	3,214,065
Bequests	1,176	48,645
	16,103,921	14,893,807
Less related direct expenses	(481,111)	(453,699)
	$ 15,622,810	$ 14,440,108

Note 6. Contributed Nonfinancial Assets

The Society receives contributed nonfinancial assets in the form of probono legal services. Probono legal services are used for program services and are related to client matters or support of non-case services. These services are valued and are reported at the estimated fair value in the financial statements based on current rates of similar legal services provided by the respected law firms, and do not contain donor-imposed restrictions.

Note 7. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are summarized as follows:

	2023	2022
Property and leasehold improvements	$ 16,425,259	$ 16,425,259
Furniture and equipment	1,405,359	1,531,824
Computer and technology	713,385	738,889
Mobile outreach van	146,936	146,936
Capital work in progress	8,827,539	5,167,519
	27,518,478	24,010,427
Less accumulated depreciation and amortization	(15,993,807)	(15,760,057)
	$ 11,524,671	$ 8,250,370

Note 8. Line of Credit

The Society has had a line of credit available in the amount of $3.5M. The line of credit is a variable loan with a base rate of variable Secured Overnight Financing Rate (SOFR) plus 1.60%. There was no outstanding loan balance as of June 30, 2023 and 2022. Certain investment securities are held as collateral by the lender. The line of credit matured on June 30, 2023 and was subsequently renewed on January 3, 2024. The renewed line of credit available is in the amount of $3.5M, and is a variable loan with a base rate of variable SOFR plus 1.45%.

Note 9. Leases

The Society leases real estate and equipment under operating lease agreements that have initial terms ranging up to 31 years and 4 years, respectively. The Society also leases equipment under finance lease agreements with initial terms ranging up to 5 years. Most leases include one or more options to exercise renewal terms that can extend the lease term from 1 to 10 years, generally at the Society’s sole discretion. Some leases may contain rights to terminate whereby those termination options are held by either the Society, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms only when it is reasonably certain that the Society will exercise that option. The Society’s leases generally do not contain any material residual value guarantees or restrictive covenants.

Note 9. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows:

	2023
Operating lease cost	$ 27,347,404
Finance lease cost – amortization of right-of-use assets	235,514
Finance lease cost – interest on lease liabilities	19,101
Short-term lease cost	2,490,851
Variable lease cost	1,225,028
Total lease cost	$ 31,317,898

Total rent expense under operating lease agreements was $29,223,000 for the year ended June 30, 2022.

Supplemental cash flow information related to leases is as follows:

	2023
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows – payments on operating leases	$ 15,273,654
Operating cash outflows – payments on finance leases	18,382
Financing cash outflows – payments on finance leases	228,084
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	$ 328,995,638
Finance leases	915,323

Supplemental statement of financial position information related to leases is as follows:

Finance Leases:	
Equipment	$ 915,323
Accumulated amortization	(235,514)
Finance lease right of use assets, net	$ 679,809
Finance lease liability	687,957
Weighted-average remaining lease term:	
Operating leases	23.8 years
Finance leases	2.3 years
Weighted-average discount rate:	
Operating leases	3.21%
Finance leases	3.31%

Note 9. Leases (Continued)

The future undiscounted cash flows for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the statement of financial position, is as follows:

	Operating Leases	Finance Leases
Years ending June 30:		
2024	$ 22,174,639	$ 323,783
2025	25,206,656	323,783
2026	24,746,948	66,354
2027	24,807,336	-
2028	22,728,612	-
Thereafter	392,835,707	-
Total lease payments	512,499,898	713,920
Less imputed interest	164,689,373	25,963
Total present value of lease liabilities	$ 347,810,525	$ 687,957

A summary of the future minimum lease commitments, as determined under Topic 840, for all non-cancelable lease agreements were as follows as of June 30, 2022:

Years ending June 30:	
2023	$ 20,020,000
2024	21,140,000
2025	21,560,000
2026	21,330,000
2027	21,410,000
Thereafter	408,740,000
Total minimum lease commitments	$ 514,200,000

During the year ended June 30, 2023, the Society received a rent credit in connection with the settlement agreement with one of its landlords. The credit received as well as the reimbursement from the insurance company for the mold damage related to that office was approximately $5,300,000 and is reflected as other income in the statement of activities.

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2023	2022
Subject to expenditures for specific purpose:		
Criminal defense practice	$ 372,926	$ 822,243
Juvenile rights practice	66,615	33,648
Civil practice	879,738	697,416
Other	170,739	283,680
Endowment:		
Perpetual in nature	2,106,023	2,106,023
Endowment accumulated investment earnings	3,504,571	2,905,322
	$ 7,100,612	$ 6,848,332

The total net assets released from restriction due to satisfaction of time and purpose restrictions amounted to $4,387,276 and $4,367,349 during the years ended June 30, 2023 and 2022, respectively.

Note 11. Endowment Funds

The Society's endowment consists of 15 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 retain in perpetuity the original value of initial and subsequent gift amounts. Earnings on donor-restricted funds are subject to appropriation 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 Executive and Finance Committee to oversee the investment of 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 for the fiscal years ended June 30, 2023 and 2022.

On a quarterly basis, the Executive and 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 Executive and Finance Committee reports to the Board on these issues.

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

	Perpetual in Nature	Accumulated Earnings	Total
Endowment net assets, at June 30, 2021	$ 2,101,023	$ 3,633,635	$ 5,734,658
Net investment earnings	-	(728,313)	(728,313)
Endowment net assets, at June 30, 2022	2,101,023	2,905,322	5,006,345
Contribution	5,000	-	5,000
Net investment earnings	-	599,249	599,249
Endowment net assets, at June 30, 2023	$ 2,106,023	$ 3,504,571	$ 5,610,594

Note 12. Functional Allocation of Expenses

Certain expenses are attributable to more than one practice, program or supporting function. These expenses are allocated as the following:

- Salary expense is allocated based on time and effort, with the exception of supporting services.
- Fringe benefits are allocated based on employees' full-time equivalents.
- Occupancy costs are allocated based on a square footage algorithm based on estimated usage.
- Certain communications equipment, maintenance agreements and consulting engagements are allocated across practices based on full-time equivalents; others are charged directly to the practices.
- Depreciation expense is charged directly to the practices.

Note 13. 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.

The Society made contributions of $1,618,000 and $2,100,000 for the years ended June 30, 2023 and 2022, respectively. The Society developed a board-approved plan for annual funding contributions to eliminate the Retirement Plan's underfunding over a 15-year period, beginning with the year ended June 30, 2017. The Plan was no longer underfunded as of June 30, 2023.

The Society made contributions to the defined contribution plan for nonunion employees of approximately $3,445,000 and $3,211,000 for the years ended June 30, 2023 and 2022, respectively.

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 approximately $6,197,000 and $6,669,000 for the years ended June 30, 2023 and 2022, 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 $3,779,000 and $3,637,000 for the years ended June 30, 2023 and 2022, respectively.

Note 13. Employee Benefit Plans (Continued)

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

(a) Assets contributed to the multi-employer 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 multi-employer 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 2022, 2021 and 2020 are for the plan's year-end at December 31, 2022, 2021 and 2020, 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% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The funded percentages for these years are 89.1%, 84.5% and 82.3%, respectively. The expiration date of the collective bargaining agreement requiring contributions was June 30, 2022. The Society is currently operating on the extension and in negotiations with the union. 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, is outlined in the table below:

Year	Employer Contributions	Greater Than 5% of Total
2022	$ 3,619,302	No
2021	3,832,321	No

The Society also has other postretirement benefit 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.

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 for the years ended June 30, 2023 and 2022, amounted to approximately $1,297,000 and $1,277,000, respectively. The increase and decrease in the long-term benefit obligation for healthcare for the years ended June 30, 2023 and 2022, amounted to $1,828,000 and $577,000, respectively.

Note 13. Employee Benefit Plans (Continued)

The changes of retirement plan benefit obligations and postretirement health and benefits obligations during the years ended June 30, 2023 and 2022, are shown in the below tables.

	Retirement Plan Benefits		Postretirement Health and Benefits	
June 30:	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 57,597,860	$ 71,356,075	$ 51,352,054	$ 71,569,807
Service cost	-	-	1,594,218	2,945,667
Interest cost	2,572,757	1,761,269	2,504,474	2,230,865
Plan participants' contributions	-	-	219,913	183,471
Special termination benefits:				
Actuarial (gain)	(2,289,447)	(10,012,863)	(5,991,063)	(24,190,470)
Benefits paid	(6,089,563)	(5,506,621)	(1,525,968)	(1,387,286)
Benefit obligation at end of year	51,791,607	57,597,860	48,153,628	51,352,054
Change in plan assets:				
Fair value of plan assets at beginning of year	54,985,334	67,081,907	-	-
Actual return (loss) on plan assets	4,092,202	(8,253,024)	-	-
Employer contributions	1,618,246	2,100,000	1,306,055	1,203,815
Plan participants' contributions	-	-	219,913	183,471
Benefits paid	(6,089,563)	(5,506,621)	(1,525,968)	(1,387,286)
Expenses paid	(995,838)	(436,928)	-	-
Fair value of plan assets at end of year	53,610,381	54,985,334	-	-
Funded status at end of year	$ 1,818,774	$ (2,612,526)	$ (48,153,628)	$ (51,352,054)

	Retirement Plan Benefits		Postretirement Health and Benefits	
June 30:	2023	2022	2023	2022
Amounts recognized as assets (liabilities) in the statement of financial position:	$ 1,818,774	$ (2,612,526)	$ (48,153,628)	$ (51,352,054)
Amounts recognized as cumulative changes in pension and other postretirement costs other than net periodic costs:				
Prior service credit	$ -	$ -	$ -	$ (13,459)
Net actuarial loss (gain)	12,807,934	16,823,549	(5,311,900)	679,163
Net amount recognized	$ 12,807,934	$ 16,823,549	$ (5,311,900)	$ 665,704
Components of net benefit cost:				
Components of net periodic benefit cost:				
Service cost	$ -	$ -	$ 1,594,218	$ 2,945,667
Expenses	940,000	600,000	-	-
Interest cost	2,572,757	1,761,269	2,504,474	2,230,865
Expected return on plan assets	(3,556,492)	(3,625,257)	-	-
Amortization of prior service cost	-	-	(13,459)	(61,154)
Amortization of losses	1,246,296	2,766,605	-	841,594
Recognized loss due to settlements	-	-	-	-
Net periodic benefit cost	1,202,561	1,502,617	4,085,233	5,956,972
Changes in pension and postretirement costs other than net periodic costs:				
Prior service credit	-	-	13,459	61,154
Net gain	(4,015,615)	(1,064,259)	(5,991,063)	(25,032,064)
Net changes in other than periodic cost	(4,015,615)	(1,064,259)	(5,977,604)	(24,970,910)
Net benefit cost	$ (2,813,054)	$ 438,358	$ (1,892,371)	$ (19,013,938)

Note 13. Employee Benefit Plans (Continued)

The service cost component of net periodic costs is included in fringe benefits and other employee costs in the statement of functional expenses. Other components of net periodic costs are included in pension and other postretirement-related changes other than net periodic costs in the statement of activities.

During the years ended June 30, 2023 and 2022, the retirement benefits plan experienced a decrease in the net benefit obligation. The primary drivers for the decrease were actuarial gains due to discount rate increases.

During the years ended June 30, 2023 and 2022, the postretirement health and benefits plan experienced a decrease in the net benefit obligation. The primary driver for the decrease was actuarial gains due to discount rate increases.

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

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2023	2022	2023	2022
Discount rate	5.35%	4.70%	5.40%	4.95%

Weighted-average assumptions to determine net benefit costs for these years ended June 30, are:

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2023	2022	2023	2022
Discount rate	4.70%	2.55%	4.95%	3.25%
Expected return on plan assets	6.50%	6.50%	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, which are based on national trends, are 6.40% and 6.70% in years ended June 30, 2023 and 2022, respectively. The 6.40% rate in fiscal year 2023 is expected to gradually decline to 4.75% in fiscal year 2029.

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

	Retirement Plan Benefits	Postretirement Health Benefits
Years ending June 30:		
2024	$ 5,580,621	$ 1,510,000
2025	4,964,462	1,640,000
2026	5,127,005	1,770,000
2027	4,769,852	1,837,000
2028	4,584,644	1,965,000
2029–2033	20,049,096	11,751,000

Note 13. Employee Benefit Plans (Continued)

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 71% in equities, 28% in fixed income and 1% in others. 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.

The fair value of the Retirement Plan's investments at June 30, 2023 and 2022, (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)		%	%
	2023	2022	2023	2022
Cash equivalents	$ 896,483	$ 3,649,783	1.7%	6.6%
Mutual funds:				
Large-cap	22,794,440	25,575,649	42.5%	46.5%
Mid-cap	4,562,128	4,143,179	8.5%	7.5%
Small-cap	2,755,770	2,588,874	5.1%	4.7%
International	4,291,225	3,044,683	8.0%	5.5%
Emerging markets	2,089,402	1,953,691	3.9%	3.6%
Fixed income	14,882,314	14,029,475	27.8%	25.5%
Alternative Investments	1,338,619	-	2.5%	0.0%
	$ 53,610,381	$ 54,985,334	100%	100%

Mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded. Mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded. These funds are required to publish their daily net asset value (NAV) and to transact at that price, which constitutes an active market.

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 14. 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.

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.

Note 15. Correction of an Error of the Previously Issued Financial Statements

The paragraph within Note 14. Contingencies of the previously issued June 30, 2023 financial statements related to receivables from grants and governmental contracts has been removed due to ambiguous wording that could lead a reader to incorrectly believe that revenue and receivables were improperly recorded under US GAAP.