

The Legal Aid Society

Financial Report
June 30, 2024

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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, 2024, 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, 2024, 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.

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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2024, except for Note 15, as to which the date is March 4, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 25, 2025

The Legal Aid Society

Statement of Financial Position

June 30, 2024

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

	2024	2023
Assets		
Cash and cash equivalents	\$ 18,200,987	\$ 41,820,069
Receivables from grants, governmental contracts and other	137,022,104	106,927,375
Investments, at fair value	18,872,977	9,577,071
Deferred charges and other assets	1,443,621	2,436,806
Property and equipment, at cost, net	12,389,403	11,524,671
Pension assets	7,661,531	1,818,774
Finance lease right-of-use assets	670,180	679,809
Operating lease right-of-use assets	229,436,616	311,197,733
Total assets	\$ 425,697,419	\$ 485,982,308
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,976,132	\$ 5,426,682
Accrued payroll and other employee expenses	53,753,718	51,760,911
Program advance	19,982,385	22,930,304
Accrued postretirement health and benefits cost	54,589,742	48,153,628
Operating lease liabilities, net	271,566,234	347,810,525
Finance lease liabilities, net	671,817	687,957
Total liabilities	408,540,028	476,770,007
Commitments and contingencies		
Net assets:		
Without donor restrictions	6,912,396	2,111,689
With donor restrictions		
Purpose and time restricted	8,138,972	4,994,589
Perpetual in nature	2,106,023	2,106,023
Total net assets with donor restrictions	10,244,995	7,100,612
Total net assets	17,157,391	9,212,301
Total liabilities and net assets	\$ 425,697,419	\$ 485,982,308

See notes to financial statements.

The Legal Aid Society

Statement of Activities

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Total
Support and revenue:				
Program support and revenue:				
Criminal defense practice	\$ 232,270,453	\$ 451,042	\$ 232,721,495	\$ 212,652,830
Juvenile rights practice	53,905,072	94,397	53,999,469	49,747,382
Civil practice	96,195,650	6,320,561	102,516,211	91,827,310
Contributions (net of direct expenses related to the benefit)	24,683,283	541,120	25,224,403	15,622,810
Return on investments, net	1,024,543	894,145	1,918,688	1,551,525
Court awards	17,087	-	17,087	136,502
Other income	152,418	-	152,418	5,302,510
Net assets released from restrictions—satisfaction of program and time restrictions	5,156,882	(5,156,882)	-	-
Total support and revenue before in-kind contributions	413,405,388	3,144,383	416,549,771	376,840,869
Operating expenses:				
Program services:				
Criminal defense practice	221,670,933	-	221,670,933	208,627,480
Juvenile rights practice	52,270,331	-	52,270,331	49,509,252
Civil practice	98,779,419	-	98,779,419	95,212,634
Total program services before in-kind contributions	372,720,683	-	372,720,683	353,349,366
Supporting services:				
Administrative expenses	31,381,843	-	31,381,843	24,523,188
Fundraising expenses	2,092,953	-	2,092,953	1,733,734
Total supporting services	33,474,796	-	33,474,796	26,256,922
Total operating expenses before in-kind contributions	406,195,479	-	406,195,479	379,606,288
Results of operations before in-kind contributions	7,209,909	3,144,383	10,354,292	(2,765,419)
Contributed nonfinancial assets:				
Revenue from legal services	75,491,844	-	75,491,844	81,755,613
Program expenses from pro bono services	(75,491,844)	-	(75,491,844)	(81,755,613)
Total contributed nonfinancial assets	-	-	-	-
Change in net assets before pension liability adjustment	7,209,909	3,144,383	10,354,292	(2,765,419)
Pension and other postretirement-related changes:				
Other than net periodic costs	(2,409,202)	-	(2,409,202)	6,299,643
Change in net assets	4,800,707	3,144,383	7,945,090	3,534,224
Net assets:				
Beginning	2,111,689	7,100,612	9,212,301	5,678,077
Ending	\$ 6,912,396	\$ 10,244,995	\$ 17,157,391	\$ 9,212,301

See notes to financial statements.

The Legal Aid Society

Statement of Functional Expenses

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024								2023	
	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	\$ 96,243,745	\$ 23,150,791	\$ 39,599,418	\$ -	\$ 158,993,954	\$ 8,611,059	\$ 698,718	\$ 9,309,777	\$ 168,303,731	\$ 157,884,991
Support staff salaries	35,437,897	7,367,950	12,780,342	-	55,586,189	5,493,574	403,345	5,896,919	61,483,108	52,342,436
Fringe benefits and other employee costs	62,509,298	15,625,992	26,813,452	-	104,948,742	5,476,432	559,342	6,035,774	110,984,516	103,843,543
Total employee expenses	194,190,940	46,144,733	79,193,212	-	319,528,885	19,581,065	1,661,405	21,242,470	340,771,355	314,070,970
Other expenses:										
Occupancy costs	17,669,876	4,034,357	8,497,982	-	30,202,215	398,005	820	398,825	30,601,040	34,797,362
Communications	1,220,088	282,230	637,202	-	2,139,520	86,498	5,295	91,793	2,231,313	2,389,919
Office operating	1,092,745	278,961	420,649	-	1,792,355	1,088,697	8,164	1,096,861	2,889,216	2,602,480
Purchases and leases of furniture and equipment	1,611,179	833,683	927,723	-	3,372,585	1,745,521	111,162	1,856,683	5,229,268	4,191,815
Law books and reference materials	631,388	155,396	570,581	-	1,357,365	31,426	4,556	35,982	1,393,347	1,318,494
Trial minutes	361,477	61,645	11,198	-	434,320	-	-	-	434,320	436,842
Cost of investigations and expert witnesses	1,590,451	48,901	832,188	-	2,471,540	-	-	-	2,471,540	2,339,508
Professional services	498,896	90,871	4,748,454	-	5,338,221	5,256,216	118,500	5,374,716	10,712,937	7,281,676
Transportation	817,023	65,668	73,823	-	956,514	44,548	567	45,115	1,001,629	938,836
Insurance	450,704	99,749	210,717	-	761,170	132,796	23	132,819	893,989	881,120
Depreciation and amortization	126,598	38,636	293,194	-	458,428	823,213	-	823,213	1,281,641	621,235
Bad debt expense	740,684	-	72,679	-	813,363	-	-	-	813,363	2,666,987
Other	668,884	135,501	2,289,817	-	3,094,202	2,193,858	182,461	2,376,319	5,470,521	5,069,044
Total other expenses	27,479,993	6,125,598	19,586,207	-	53,191,798	11,800,778	431,548	12,232,326	65,424,124	65,535,318
Total expenses before contributed legal services and direct expenses related to the benefit	221,670,933	52,270,331	98,779,419	-	372,720,683	31,381,843	2,092,953	33,474,796	406,195,479	379,606,288
Contributed legal services	-	-	-	75,491,844	75,491,844	-	-	-	75,491,844	81,755,613
Direct expenses related to the benefit	-	-	-	-	-	-	471,055	471,055	471,055	481,111
	-	-	-	75,491,844	75,491,844	-	471,055	471,055	75,962,899	82,236,724
Total 2024 expenses	\$ 221,670,933	\$ 52,270,331	\$ 98,779,419	\$ 75,491,844	\$ 448,212,527	\$ 31,381,843	\$ 2,564,008	\$ 33,945,851	\$ 482,158,378	
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

See notes to financial statements.

The Legal Aid Society

Statement of Cash Flows

Year Ended June 30, 2024

(With Summarized Comparative Financial Information for the Year Ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 7,945,090	\$ 3,534,224
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	813,363	2,666,987
Rent forgiveness from landlord	-	3,827,735
Depreciation and amortization	1,281,641	621,235
Realized and unrealized gain on investments	(894,146)	(514,404)
Pension and other postretirement-related changes, other than net periodic costs	2,409,202	(6,299,643)
Changes in operating assets and liabilities:		
Increase in receivables from grants, governmental contracts and other	(30,908,092)	(28,099,398)
Decrease (increase) in deferred charges and other assets	993,185	(1,022,757)
Decrease (increase) in operating lease right of use assets	14,052,487	(335,745,138)
Increase in pension assets	(8,251,959)	-
Increase (decrease) in accounts payable and accrued expenses	2,549,450	(11,112,136)
Increase in accrued payroll and other employee expenses	1,992,807	15,364,689
(Decrease) increase in program advance	(2,947,919)	6,694,070
Increase in accrued postretirement health and benefits cost	6,436,114	288,163
Decrease in pension liability	-	(1,618,246)
(Decrease) increase in operating lease liabilities	(8,535,661)	347,810,525
Net cash used in operating activities	(13,064,438)	(3,604,094)
Cash flows from investing activities:		
Proceeds from sale of investments	10,128,519	1,782,880
Purchase of investments	(18,530,279)	(524,724)
Purchase of property and equipment	(1,739,162)	(3,659,304)
Net cash used in investing activities	(10,140,922)	(2,401,148)
Cash flows from financing activities:		
Payment on finance leases	(413,722)	(228,084)
Net cash used in financing activities	(413,722)	(228,084)
Net decrease in cash and cash equivalents	(23,619,082)	(6,233,326)
Cash and cash equivalents:		
Beginning	41,820,069	48,053,395
Ending	\$ 18,200,987	\$ 41,820,069
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest expense	\$ 26,803	\$ 19,101

See notes to financial statements.

The Legal Aid Society

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 principally through contracts with the city and the state of New York as well as private financial support. 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.

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.

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: 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.

The Legal Aid Society

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Receivables from grants, governmental contracts and other: The Society records unconditional receivables that are expected to be collected within one year at net realizable value. Receivables from grants, governmental contracts and other are due within one year. The Society determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. There was no allowance for doubtful receivables as of June 30, 2024 and 2023.

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.

Revenue and support: Contracts awarded by governmental agencies deemed to be conditional are recognized as revenue in net assets without donor restrictions 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, 2024 and 2023, the Society had outstanding unrecorded conditional receivables from grants, governmental contracts and other of approximately \$77,000,000 and \$85,000,000, respectively. Revenue for these conditional grants and contracts will be recognized in future periods when the related conditions have been substantially met by meeting barriers or rights of return.

Unconditional contributions and promises to give are recognized in the period received. Contributions and promises to give are classified either as support without donor restrictions or support with donor restrictions, based on the donor's intent.

The Legal Aid Society

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributed services provided by attorneys on a pro bono basis are recorded as revenue and expenses at fair value, based on current rates of similar legal services provided by the contributing law firms or professionals. If the current rates are not available, the fair value is based on the 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.

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 2021, 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.

The Legal Aid Society

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2023, from which the summarized information was derived.

Reclassification: Certain amounts reported in prior years in the financial statements have been reclassified to conform to the current year's presentation.

Subsequent events: The Society has evaluated subsequent events through March 25, 2025, the date on which the financial statements were issued.

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. Federal agencies have been tasked with reviewing their federal programs to ensure they align with the President's policy priorities. During the year ended June 30, 2024, the Society recognized federal financial assistance totaling \$13,697,629. This amount was included in the direct federal funding and passed-through grants and contracts. Estimated federal portion of the receivables from the above direct federal funding and passed-through grants and contracts as of June 30, 2024 was \$2,011,095 and \$1,793,104 was collected subsequent to year end. The Society has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump's EOs on the Society's financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on the Society's financial statements.

Recently adopted accounting pronouncement: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. 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. 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. There was no impact to the Society's financial statements from the adoption of this standard.

The Legal Aid Society

Notes to Financial Statements

Note 3. Liquidity and Availability of Resources

The following represents the Society's financial assets as of June 30, 2024 and 2023, available to meet general expenditures over the next 12 months:

	2024	2023
Financial assets at June 30:		
Cash and cash equivalents	\$ 18,200,987	\$ 41,820,069
Receivables from grants, governmental contracts and other	137,022,104	106,927,375
Investments	18,872,977	9,577,071
Total financial assets	174,096,068	158,324,515
Less:		
Program advance	(19,982,385)	(22,930,304)
Amounts subject to satisfaction or appropriation	(3,751,734)	(1,490,018)
Donor restricted endowment funds	(6,493,261)	(5,610,594)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 143,868,688</u>	<u>\$ 128,293,599</u>

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, \$40M 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 Legal Aid Society

Notes to Financial Statements

Note 4. Fair Value (Continued)

The Society's investments measured at fair value on a recurring basis, consist of the following as of June 30, 2024 and 2023:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 308,887	\$ -	\$ -	\$ 308,887
Equities:				
U.S. large cap equities	3,600,918	-	-	3,600,918
International equities	1,457,580	-	-	1,457,580
	5,058,498	-	-	5,058,498
Debt securities:				
Core fixed income funds	1,112,792	-	-	1,112,792
Corporate bonds	-	12,392,800	-	12,392,800
	1,112,792	12,392,800	-	13,505,592
Total investments	\$ 6,480,177	\$ 12,392,800	\$ -	\$ 18,872,977

	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
Equities:				
U.S. large cap equities	2,716,568	-	-	2,716,568
International equities	1,240,077	-	-	1,240,077
Total equities	3,956,645	-	-	3,956,645
Debt securities:				
Core fixed income funds	1,500,835	-	-	1,500,835
Corporate bonds	-	3,896,865	-	3,896,865
	1,500,835	3,896,865	-	5,397,700
Total investments	\$ 5,680,206	\$ 3,896,865	\$ -	\$ 9,577,071

The Legal Aid Society

Notes to Financial Statements

Note 4. Fair Value (Continued)

Equities and core fixed income funds: The fair value of equities and core fixed income funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Corporate bonds are valued based on the last reported bid price provided by broker-dealers.

The Society's investments at June 30, 2024 and 2023, 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, 2024 and 2023.

Note 5. Contributions

Contributions consisted of the following for each fiscal year:

	2024	2023
Contributions	\$ 22,965,071	\$ 12,917,137
Benefits and special events	2,695,094	3,185,608
Bequests	35,293	1,176
	25,695,458	16,103,921
Less related direct expenses	(471,055)	(481,111)
	<u>\$ 25,224,403</u>	<u>\$ 15,622,810</u>

Note 6. Contributed Nonfinancial Assets

The Society receives contributed nonfinancial assets in the form of pro bono legal services. Pro bono 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 or professionals. If the current rates are not available, the fair value is based on the average billing rates. These contributed nonfinancial assets do not contain donor-imposed restrictions.

The Legal Aid Society

Notes to Financial Statements

Note 7. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are summarized as follows:

	2024	2023
Property and leasehold improvements	\$ 26,672,012	\$ 16,425,259
Furniture and equipment	670,674	1,405,359
Computer and technology	537,551	713,385
Mobile outreach van	316,093	146,936
Capital work in progress	-	8,827,539
	28,196,330	27,518,478
Less accumulated depreciation and amortization	(15,806,927)	(15,993,807)
	<u>\$ 12,389,403</u>	<u>\$ 11,524,671</u>

Note 8. Line of Credit

The Society has 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 1.45%. There was no outstanding loan balance as of June 30, 2024 and 2023. Certain investment securities are held as collateral by the lender. The line of credit is an evergreen facility with no documented maturity date.

Note 9. Leases

The Society leases real estate and equipment under operating lease agreements that have initial terms ranging up to 31 years and four years, respectively. The Society also leases equipment under finance lease agreements with initial terms ranging up to five years. Most leases include one or more options to exercise renewal terms that can extend the lease term from one 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.

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:

	2024	2023
Operating lease cost	\$ 25,719,171	\$ 27,347,404
Finance lease cost—amortization of right-of-use assets	407,212	235,514
Finance lease cost—interest on lease liabilities	26,803	19,101
Short-term lease cost	696,358	2,490,851
Variable lease cost	1,168,149	1,225,028
Total lease cost	<u>\$ 28,017,693</u>	<u>\$ 31,317,898</u>

The Legal Aid Society

Notes to Financial Statements

Note 9. Leases (Continued)

Supplemental cash flow information related to leases is as follows:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 20,202,345	\$ 15,273,654
Operating cash outflows—payments on finance leases	25,270	18,382
Financing cash outflows—payments on finance leases	413,722	228,084
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 129,773	\$ 328,995,638
Finance leases	397,583	915,323

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

	June 30, 2024	June 30, 2023
Operating leases:		
Operating lease right-of-use assets	\$ 229,436,616	\$ 311,197,733
Operating lease liability	271,566,234	347,810,525
Finance leases:		
Equipment	\$ 1,312,906	\$ 915,323
Accumulated amortization	(642,726)	(235,514)
Finance lease right-of-use assets, net	<u>\$ 670,180</u>	<u>\$ 679,809</u>
Finance lease liability	671,817	687,957
Weighted-average remaining lease term:		
Operating leases	21.8 years	23.8 years
Finance leases	1.7 years	2.3 years
Weighted-average discount rate:		
Operating leases	4.57%	3.21%
Finance leases	3.66%	3.31%

The Legal Aid Society

Notes to Financial Statements

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:		
2025	\$ 24,222,611	\$ 467,624
2026	23,678,746	189,541
2027	23,739,134	34,868
2028	21,660,410	1,036
2029	21,933,516	258
Thereafter	345,830,072	-
Total lease payments	461,064,489	693,327
Less imputed interest	189,498,255	21,510
Total present value of lease liabilities	<u>\$ 271,566,234</u>	<u>\$ 671,817</u>

During the year ended June 30, 2024, the payment term for a certain lease was modified. This resulted in a non-cash decrease in the lease liability and the right-of-use asset of \$67,838,403.

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:

	2024	2023
Subject to expenditures for specific purpose:		
Criminal defense practice	\$ 284,703	\$ 372,926
Juvenile rights practice	142,529	66,615
Civil practice	3,153,521	879,738
Other	170,981	170,739
Endowment:		
Perpetual in nature	2,106,023	2,106,023
Endowment accumulated investment earnings	4,387,238	3,504,571
	<u>\$ 10,244,995</u>	<u>\$ 7,100,612</u>

The total net assets released from restriction due to satisfaction of time and purpose restrictions amounted to \$5,156,882 and \$4,387,276 during the years ended June 30, 2024 and 2023, respectively.

The Legal Aid Society

Notes to Financial Statements

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. The Board may appropriate for expenditure or accumulate so much of an endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor expressed in the gift instrument.

The Society follows the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) in the management of its endowment. The Society has interpreted NYPMIFA as allowing the Society to spend or accumulate the amount of an endowment fund that the Society determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Society classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

In accordance with NYPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Society and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the Society
- The investment policies of the Society

During the years ended June 30, 2024 and 2023, the Society appropriated approximately \$11,400 and \$0 in endowment funds for expenditure, respectively. 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 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.

The Legal Aid Society

Notes to Financial Statements

Note 11. Endowment Funds (Continued)

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

	Perpetual in Nature	Accumulated Earnings	Total
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
Net investment earnings	-	894,145	894,145
Appropriations	-	(11,478)	(11,478)
Endowment net assets, at June 30, 2024	\$ 2,106,023	\$ 4,387,238	\$ 6,493,261

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 allocations are determined based on the nature of the position, the estimated time spent by the position in functions that directly benefit the program and functions that are administrative in nature, and the job description of the position.
- Fringe benefits are allocated based on employees' full-time equivalents.
- Occupancy costs are allocated based upon the budgeted full-time equivalents (FTEs) which approximate actual amounts, that can occupy that space.
- Certain communications equipment, maintenance agreements and vendor agreements are allocated across practices or administration based on full-time budgeted equivalents which approximate actual amounts; others are charged directly to the practices.
- Depreciation expense is charged directly to the practices and to administration.

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. 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 \$1,687,000 and \$1,618,000 for the years ended June 30, 2024 and 2023, 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 Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

The Society made contributions to the defined contribution plan for nonunion employees of approximately \$4,101,000 and \$3,445,000 for the years ended June 30, 2024 and 2023, 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 \$6,759,000 and \$6,197,000 for the years ended June 30, 2024 and 2023, 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 \$4,176,000 and \$3,779,000 for the years ended June 30, 2024 and 2023, respectively.

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 2023, 2022 and 2021 are for the plan's year-end at December 31, 2023, 2022 and 2021, 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 89.9%, 89.1% and 84.5%, respectively. The expiration date of the collective bargaining agreement is June 30, 2025.

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
2024	\$ 3,956,196	No
2023	3,619,302	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.

The Legal Aid Society

Notes to Financial Statements

Note 13. 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 for the years ended June 30, 2024 and 2023, amounted to approximately \$1,615,000 and \$1,297,000, respectively. The increase and decrease in the long-term benefit obligation for healthcare for the years ended June 30, 2024 and 2023, amounted to \$617,000 and \$1,828,000, respectively.

The changes of retirement plan benefit obligations and postretirement health and benefits obligations during the years ended June 30, 2024 and 2023, are shown in the below tables.

June 30:	Retirement Plan Benefits		Postretirement Health and Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 51,791,607	\$ 57,597,860	\$ 48,153,628	\$ 51,352,054
Service cost	-	-	1,395,835	1,594,218
Interest cost	2,574,462	2,572,757	2,471,185	2,504,474
Plan participants' contributions	-	-	380,781	219,913
Special termination benefits:				
Actuarial (gain)/loss	(565,102)	(2,289,447)	4,093,645	(5,991,063)
Benefits paid	(6,162,375)	(6,089,563)	(1,905,332)	(1,525,968)
Benefit obligation at end of year	47,638,592	51,791,607	54,589,742	48,153,628
Change in plan assets:				
Fair value of plan assets at beginning of year	53,610,381	54,985,334	-	-
Actual return (loss) on plan assets	7,108,791	4,092,202	-	-
Employer contributions	1,687,129	1,618,246	1,524,551	1,306,055
Plan participants' contributions	-	-	380,781	219,913
Benefits paid	(6,162,375)	(6,089,563)	(1,905,332)	(1,525,968)
Expenses paid	(943,803)	(995,838)	-	-
Fair value of plan assets at end of year	55,300,123	53,610,381	-	-
Funded status at end of year	\$ 7,661,531	\$ 1,818,774	\$ (54,589,742)	\$ (48,153,628)

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

	Retirement Plan Benefits		Postretirement Health and Benefits	
June 30:	2024	2023	2024	2023
Amounts recognized as assets (liabilities) in the statement of financial position:	\$ 7,661,531	\$ 1,818,774	\$ (54,589,742)	\$ (48,153,628)
Amounts recognized as cumulative changes in pension and other postretirement costs other than net periodic costs:				
Prior service credit	\$ -	\$ -	\$ -	\$ -
Net actuarial loss (gain)	8,290,576	12,807,934	(1,093,335)	(5,311,900)
Net amount recognized	\$ 8,290,576	\$ 12,807,934	\$ (1,093,335)	\$ (5,311,900)
Components of net benefit cost:				
Components of net periodic benefit cost:				
Service cost	\$ -	\$ -	\$ 1,395,835	\$ 1,594,218
Expenses	720,000	940,000	-	-
Interest cost	2,574,462	2,572,757	2,471,185	2,504,474
Expected return on plan assets	(3,681,888)	(3,556,492)	-	-
Amortization of prior service cost	-	-	-	(13,459)
Amortization of (gains)/losses	749,156	1,246,296	(124,920)	-
Recognized loss due to settlements	-	-	-	-
Net periodic benefit cost	361,730	1,202,561	3,742,100	4,085,233
Changes in pension and postretirement costs other than net periodic costs:				
Recognized actuarial gain	\$ -	\$ -	\$ 124,920	\$ -
Prior service credit	-	-	-	13,459
Net gain	(4,517,358)	(4,015,615)	4,093,645	(5,991,063)
Net changes in other than periodic cost	(4,517,358)	(4,015,615)	4,218,565	(5,977,604)
Net benefit cost	\$ (4,155,628)	\$ (2,813,054)	\$ 7,960,665	\$ (1,892,371)

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, 2024 and 2023, 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, 2024 and 2023, 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 net benefit costs for these years ended June 30, are:

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2024	2023	2024	2023
Discount rate	5.45%	5.35%	5.65%	5.40%

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

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

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2024	2023	2024	2023
Discount rate	5.35%	4.70%	5.40%	4.95%
Expected return on plan assets	7.00%	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 8.67% and 6.40% in years ended June 30, 2024 and 2023, respectively. The 8.67% rate in fiscal year 2024 is expected to gradually decline to 4.5% in fiscal year 2039.

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:		
2025	\$ 4,849,150	\$ 1,503,000
2026	5,049,895	1,669,000
2027	4,727,785	1,837,000
2028	4,523,675	2,012,000
2029	4,268,104	2,201,000
2030–2034	18,947,831	13,778,000

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 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 Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

The fair value of the Retirement Plan's investments at June 30, 2024 and 2023, by asset category, are as follows:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 999,240	\$ -	\$ -	\$ 999,240
Equities:				
Large-cap	24,734,796	-	-	24,734,796
Mid-cap	4,447,520	-	-	4,447,520
Small-cap	1,866,926	-	-	1,866,926
International	4,767,171	-	-	4,767,171
Emerging markets	2,505,541	-	-	2,505,541
	38,321,954	-	-	38,321,954
Corporate bonds	-	13,976,790	-	13,976,790
Alternative investments at fair value	1,439,262	-	-	1,439,262
Total investments assets in the fair value hierarchy	\$ 40,760,456	\$ 13,976,790	\$ -	54,737,246
Alternative investment fund measured at NAV ⁽¹⁾				562,877
Total investments				\$ 55,300,123

	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	\$ 896,483	\$ -	\$ -	\$ 896,483
Equities:				
Large-cap	22,794,440	-	-	22,794,440
Mid-cap	4,562,128	-	-	4,562,128
Small-cap	2,755,770	-	-	2,755,770
International	4,291,225	-	-	4,291,225
Emerging markets	2,089,402	-	-	2,089,402
Total equities	36,492,965	-	-	36,492,965
Alternative investments at fair value	1,338,619	-	-	1,338,619
Fixed income funds	14,882,314			14,882,314
Total investments	\$ 53,610,381	\$ -	\$ -	\$ 53,610,381

- (1) The fair value amount was estimated by using Net Asset Value (NAV) as a practical expedient as of the measurement date. The investment under this method is not categorized in the fair value hierarchy. The fair value amount presented is for the reconciliation purpose.

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

Equity, fixed income funds, and alternative investment funds: Their fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Corporate bonds are valued based on the last reported bid price provided by broker-dealers.

The alternative investment fund measured at NAV represents an investment in a private investment company. The investment company fund's objective is to generate long term growth in assets by investing primarily in equity and equity related securities. There are no unfunded capital commitments. The investment is allowed to be redeemed monthly with 90 days prior notice.

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.