

The Legal Aid Society

Financial Report
June 30, 2025

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Independent Auditor's Report

Board of Directors
The Legal Aid Society

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, 2025, 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 13, 2026

The Legal Aid Society

Statement of Financial Position

June 30, 2025

(With Comparative Financial Information as of June 30, 2024)

	2025	2024
Assets		
Cash and cash equivalents	\$ 21,610,747	\$ 18,200,987
Receivables from grants, governmental contracts and other	131,763,537	137,022,104
Investments, at fair value	20,181,978	18,872,977
Deferred charges and other assets	2,340,366	1,443,621
Property and equipment, at cost, net	13,063,180	12,389,403
Pension assets	6,740,644	7,661,531
Finance lease right-of-use assets	293,930	670,180
Operating lease right-of-use assets	227,392,286	229,436,616
	<u>227,392,286</u>	<u>229,436,616</u>
Total assets	\$ 423,386,668	\$ 425,697,419
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,858,833	\$ 7,976,132
Accrued payroll and other employee expenses	37,388,747	53,753,718
Program advance	27,129,588	19,982,385
Accrued postretirement health and benefits cost	62,169,349	54,589,742
Operating lease liabilities, net	270,653,950	271,566,234
Finance lease liabilities, net	281,622	671,817
	<u>281,622</u>	<u>671,817</u>
Total liabilities	407,482,089	408,540,028
Commitments and contingencies		
Net assets:		
Without donor restrictions	5,851,978	6,912,396
With donor restrictions		
Purpose and time restricted	7,946,578	8,138,972
Perpetual in nature	2,106,023	2,106,023
	<u>2,106,023</u>	<u>2,106,023</u>
Total net assets with donor restrictions	10,052,601	10,244,995
	<u>10,052,601</u>	<u>10,244,995</u>
Total net assets	15,904,579	17,157,391
	<u>15,904,579</u>	<u>17,157,391</u>
Total liabilities and net assets	\$ 423,386,668	\$ 425,697,419
	<u>\$ 423,386,668</u>	<u>\$ 425,697,419</u>

See notes to financial statements.

The Legal Aid Society

Statement of Activities

Year Ended June 30, 2025

(With Summarized Comparative Financial Information for the Year Ended June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Comparative Total
Support and revenue:				
Program support and revenue:				
Criminal defense practice	\$ 251,446,535	\$ 246,398	\$ 251,692,933	\$ 232,721,495
Juvenile rights practice	60,183,876	80,635	60,264,511	53,999,469
Civil practice	103,549,110	4,598,050	108,147,160	102,516,211
Contributions (net of direct expenses related to the benefit)	16,914,853	46,030	16,960,883	25,224,403
Return on investments, net	1,168,778	808,149	1,976,927	1,918,688
Court awards	442,006	-	442,006	17,087
Other income	743,908	-	743,908	152,418
Net assets released from restrictions—satisfaction of program and time restrictions	5,971,656	(5,971,656)	-	-
Total support and revenue before contributed nonfinancial assets	440,420,722	(192,394)	440,228,328	416,549,771
Operating expenses:				
Program services:				
Criminal defense practice	234,217,912	-	234,217,912	221,670,933
Juvenile rights practice	54,737,397	-	54,737,397	52,270,331
Civil practice	105,597,624	-	105,597,624	98,779,419
Total program services before contributed nonfinancial assets	394,552,933	-	394,552,933	372,720,683
Supporting services:				
Administrative expenses	35,389,315	-	35,389,315	31,381,843
Fundraising expenses	3,039,815	-	3,039,815	2,092,953
Total supporting services	38,429,130	-	38,429,130	33,474,796
Total operating expenses before contributed nonfinancial assets	432,982,063	-	432,982,063	406,195,479
Results of operations before contributed nonfinancial assets	7,438,659	(192,394)	7,246,265	10,354,292
Contributed nonfinancial assets:				
Revenue from legal services	74,978,474	-	74,978,474	75,491,844
Program expenses from pro bono services	(74,978,474)	-	(74,978,474)	(75,491,844)
Total contributed nonfinancial assets	-	-	-	-
Change in net assets before pension liability adjustment	7,438,659	(192,394)	7,246,265	10,354,292
Pension and other postretirement-related changes:				
Other than net periodic costs	(8,499,077)	-	(8,499,077)	(2,409,202)
Change in net assets	(1,060,418)	(192,394)	(1,252,812)	7,945,090
Net assets:				
Beginning	6,912,396	10,244,995	17,157,391	9,212,301
Ending	\$ 5,851,978	\$ 10,052,601	\$ 15,904,579	\$ 17,157,391

See notes to financial statements.

The Legal Aid Society

Statement of Functional Expenses

Year Ended June 30, 2025

(With Summarized Comparative Financial Information for the Year Ended June 30, 2024)

	2025									2024
	Program Services				Supporting Services					Summarized Comparative Total
	Criminal Defense Practice	Juvenile Rights Practice	Civil Practice	Pro Bono Services	Total Program Services	Administrative	Fundraising	Total Supporting Services	Total	
Employee expenses:										
Professional staff salaries	\$ 100,355,887	\$ 25,370,628	\$ 42,992,853	\$ -	\$ 168,719,368	\$ 9,088,790	\$ 1,002,157	\$ 10,090,947	\$ 178,810,315	\$ 168,303,731
Support staff salaries	35,855,528	7,763,917	14,274,932	-	57,894,377	6,049,164	385,657	6,434,821	64,329,198	61,483,108
Fringe benefits and other employee costs	65,541,725	16,007,335	27,516,525	-	109,065,585	7,189,137	680,833	7,869,970	116,935,555	110,984,516
Total employee expenses	201,753,140	49,141,880	84,784,310	-	335,679,330	22,327,091	2,068,647	24,395,738	360,075,068	340,771,355
Other expenses:										
Occupancy costs	18,647,994	3,868,260	7,437,742	-	29,953,996	64,091	29	64,120	30,018,116	30,601,040
Communications	1,230,312	250,905	575,934	-	2,057,151	126,846	8,868	135,714	2,192,865	2,231,313
Office operating	1,288,575	265,041	365,452	-	1,919,068	781,276	8,634	789,910	2,708,978	2,889,216
Purchases and leases of furniture and equipment	3,807,614	363,086	926,328	-	5,097,028	2,143,399	105,249	2,248,648	7,345,676	5,229,268
Law books and reference materials	694,240	135,561	595,432	-	1,425,233	74,517	9,843	84,360	1,509,593	1,393,347
Trial minutes	407,835	93,041	15,509	-	516,385	-	-	-	516,385	434,320
Cost of investigations and expert witnesses	2,148,605	126,482	919,730	-	3,194,817	-	-	-	3,194,817	2,471,540
Professional services	910,328	78,219	6,090,577	-	7,079,124	4,558,622	517,189	5,075,811	12,154,935	10,712,937
Transportation	995,681	57,717	93,058	-	1,146,456	83,869	2,085	85,954	1,232,410	1,001,629
Insurance	471,037	90,998	179,916	-	741,951	169,658	3,154	172,812	914,763	893,989
Depreciation and amortization	222,383	23,654	292,561	-	538,598	873,850	-	873,850	1,412,448	1,281,641
Bad debt expense	704,609	83,564	1,082,756	-	1,870,929	-	-	-	1,870,929	813,363
Other	935,559	158,989	2,238,319	-	3,332,867	4,186,096	316,117	4,502,213	7,835,080	5,470,521
Total other expenses	32,464,772	5,595,517	20,813,314	-	58,873,603	13,062,224	971,168	14,033,392	72,906,995	65,424,124
Total expenses before contributed legal services and direct expenses related to the benefit	234,217,912	54,737,397	105,597,624	-	394,552,933	35,389,315	3,039,815	38,429,130	432,982,063	406,195,479
Contributed legal services	-	-	-	74,978,474	74,978,474	-	-	-	74,978,474	75,491,844
Direct expenses related to the benefit	-	-	-	-	-	-	563,122	563,122	563,122	471,055
	-	-	-	74,978,474	74,978,474	-	563,122	563,122	75,541,596	75,962,899
Total 2025 expenses	\$ 234,217,912	\$ 54,737,397	\$ 105,597,624	\$ 74,978,474	\$ 469,531,407	\$ 35,389,315	\$ 3,602,937	\$ 38,992,252	\$ 508,523,659	
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

See notes to financial statements.

The Legal Aid Society

Statement of Cash Flows

Year Ended June 30, 2025

(With Summarized Comparative Financial Information for the Year Ended June 30, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (1,252,812)	\$ 7,945,090
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	1,870,929	813,363
Depreciation and amortization	1,412,448	1,281,641
Realized and unrealized gain on investments	(831,972)	(894,146)
Pension and other postretirement-related changes, other than net periodic costs	8,499,077	2,409,202
Amortization of right-of-use assets	15,266,329	14,052,487
Changes in operating assets and liabilities:		
Decrease (increase) in receivables from grants, governmental contracts and other	3,387,638	(30,908,092)
(Increase) decrease in deferred charges and other assets	(896,745)	993,185
Decrease (increase) in pension assets	920,887	(8,251,959)
Increase in accounts payable and accrued expenses	1,882,701	2,549,450
(Decrease) increase in accrued payroll and other employee expenses	(16,364,971)	1,992,807
Increase (decrease) in program advance	7,147,203	(2,947,919)
(Decrease) increase in accrued postretirement health and benefits cost	(919,470)	6,436,114
Decrease in operating lease liabilities	(14,134,283)	(8,535,661)
Net cash provided by (used in) operating activities	5,986,959	(13,064,438)
Cash flows from investing activities:		
Proceeds from sale of investments	7,873,505	10,128,519
Purchase of investments	(8,350,534)	(18,530,279)
Purchase of property and equipment	(1,607,095)	(1,739,162)
Net cash used in investing activities	(2,084,124)	(10,140,922)
Cash flows from financing activities:		
Principal payments on finance lease liabilities	(493,075)	(413,722)
Net cash used in financing activities	(493,075)	(413,722)
Net increase (decrease) in cash and cash equivalents	3,409,760	(23,619,082)
Cash and cash equivalents:		
Beginning	18,200,987	41,820,069
Ending	\$ 21,610,747	\$ 18,200,987
Supplemental disclosure of cash flow information:		
Cash payments during the year for interest expense	\$ 19,939	\$ 26,803

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 reimburse the Society for allowable expenses incurred while meeting the contract program services.

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, 2025 and 2024.

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 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, 2025 and 2024, the Society had outstanding unrecorded conditional receivables from grants, governmental contracts and other of approximately \$81,000,000 and \$77,000,000, 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)

For the years ended June 30, 2025 and 2024, the Society received a significant portion of its support and revenue from governmental funding sources. Funding from the City represented approximately 49% of total revenue in fiscal years 2025 and 2024, while funding from the State represented approximately 42% and 39% of total support and revenue in fiscal years 2025 and 2024, respectively.

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 2022, which is the standard statute of limitations look-back period.

The Legal Aid Society

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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

Prior-year summarized comparative information: The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2024, 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 13, 2026, the date on which the financial statements were issued.

Note 3. Liquidity and Availability of Resources

The following represents the Society's financial assets as of June 30, 2025 and 2024, available to meet general expenditures over the next 12 months:

	2025	2024
Financial assets at June 30:		
Cash and cash equivalents	\$ 21,610,747	\$ 18,200,987
Receivables from grants, governmental contracts and other	131,763,537	137,022,104
Investments	20,181,978	18,872,977
Total financial assets	<u>173,556,262</u>	<u>174,096,068</u>
Less:		
Program advance	(27,129,588)	(19,982,385)
Amounts subject to satisfaction or appropriation	(2,942,572)	(3,751,734)
Donor restricted endowment funds	(7,110,029)	(6,493,261)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 136,374,073</u>	<u>\$ 143,868,688</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).

The Legal Aid Society

Notes to Financial Statements

Note 4. Fair Value (Continued)

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, 2025 and 2024:

	2025			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash equivalents	\$ 337,713	\$ -	\$ -	\$ 337,713
Equities:				
U.S. large cap equities	4,057,159	-	-	4,057,159
International equities	1,285,431	-	-	1,285,431
	5,342,590	-	-	5,342,590
Debt securities:				
Core fixed income funds	1,397,584	-	-	1,397,584
Corporate bonds	-	13,104,091	-	13,104,091
	1,397,584	13,104,091	-	14,501,675
Total investments	\$ 7,077,887	\$ 13,104,091	\$ -	\$ 20,181,978

The Legal Aid Society

Notes to Financial Statements

Note 4. Fair Value (Continued)

	2024			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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

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, 2025 and 2024, 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, 2025 and 2024.

Note 5. Contributions

Contributions consisted of the following for each fiscal year:

	2025	2024
Contributions	\$ 14,972,030	\$ 22,965,071
Benefits and special events	2,543,780	2,695,094
Bequests	8,195	35,293
	17,524,005	25,695,458
Less related direct expenses	(563,122)	(471,055)
	\$ 16,960,883	\$ 25,224,403

The Legal Aid Society

Notes to Financial Statements

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.

Note 7. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are summarized as follows:

	2025	2024
Property and leasehold improvements	\$ 27,108,408	\$ 26,672,012
Furniture and equipment	738,689	670,674
Computer and technology	1,318,359	537,551
Mobile outreach van	316,093	316,093
Capital work in progress	72,001	-
	<u>29,553,550</u>	<u>28,196,330</u>
Less accumulated depreciation and amortization	<u>(16,490,370)</u>	<u>(15,806,927)</u>
	<u>\$ 13,063,180</u>	<u>\$ 12,389,403</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, plus 1.45%. There was no outstanding loan balance as of June 30, 2025 and 2024. 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.

The Legal Aid Society

Notes to Financial Statements

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:

	2025	2024
Operating lease cost	\$ 26,502,992	\$ 25,719,171
Finance lease cost—amortization of right-of-use assets	479,130	407,212
Finance lease cost—interest on lease liabilities	19,939	26,803
Short-term lease cost	-	696,358
Variable lease cost	930,805	1,168,149
Total lease cost	<u>\$ 27,932,866</u>	<u>\$ 28,017,693</u>

Supplemental cash flow information related to leases is as follows:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 25,370,946	\$ 20,202,345
Operating cash outflows—payments on finance leases	19,009	25,270
Financing cash outflows—payments on finance leases	493,075	413,722
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 13,221,999	\$ 129,773
Finance leases	102,880	397,583

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

	2025	2024
Operating leases:		
Operating lease right-of-use assets	\$227,392,286	\$229,436,616
Operating lease liabilities	270,653,950	271,566,234
Finance leases:		
Equipment	\$ 1,415,785	\$ 1,312,906
Accumulated amortization	(1,121,855)	(642,726)
Finance lease right-of-use assets, net	<u>\$ 293,930</u>	<u>\$ 670,180</u>
Finance lease liabilities	\$ 281,622	\$ 671,817
Weighted-average remaining lease term:		
Operating leases	21.2 years	21.8 years
Finance leases	1.26 years	1.7 years
Weighted-average discount rate:		
Operating leases	4.61%	4.57%
Finance leases	4.17%	3.66%

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 at June 30, 2025, is as follows:

	Operating Leases	Finance Leases
Years ending June 30:		
2026	\$ 24,636,702	\$ 221,251
2027	24,617,786	66,578
2028	22,394,800	1,036
2029	22,938,644	259
2030	20,519,455	-
Thereafter	338,723,693	-
Total lease payments	453,831,080	289,124
Less imputed interest	183,177,130	7,502
Total present value of lease liabilities	<u>\$270,653,950</u>	<u>\$ 281,622</u>

Note 10. Net Assets with Donor Restrictions

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

	2025	2024
Subject to expenditures for specific purpose:		
Criminal defense practice	\$ 353,609	\$ 284,703
Juvenile rights practice	182,178	142,529
Civil practice	2,217,523	3,153,521
Other	189,262	170,981
Endowment:		
Perpetual in nature	2,106,023	2,106,023
Endowment accumulated investment earnings	5,004,006	4,387,238
	<u>\$ 10,052,601</u>	<u>\$ 10,244,995</u>

The total net assets released from restriction due to satisfaction of time and purpose restrictions amounted to \$5,971,656 and \$5,156,882 during the years ended June 30, 2025 and 2024, 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. 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 Legal Aid Society

Notes to Financial Statements

Note 11. Endowment Funds (Continued)

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, 2025 and 2024, the Society appropriated approximately \$191,400 and \$11,400, respectively, in endowment funds for expenditure. 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, 2023	\$ 2,106,023	\$ 3,504,571	\$ 5,610,594
Contribution	-	894,145	894,145
Net investment earnings	-	(11,478)	(11,478)
Endowment net assets, at June 30, 2024	2,106,023	4,387,238	6,493,261
Net investment earnings	-	808,149	808,149
Appropriations	-	(191,381)	(191,381)
Endowment net assets, at June 30, 2025	\$ 2,106,023	\$ 5,004,006	\$ 7,110,029

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 \$0 and \$1,687,000 for the years ended June 30, 2025 and 2024, 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)

On December 15, 2025, the Board of Directors adopted a resolution amending and terminating the Retirement Plan as of April 1, 2026. After a 60-day period for review by the Pension Benefit Guaranty Corporation ends in June 2026, the Society will offer lump-sum payments to participants who have not started receiving their benefit payments. Thereafter, the net assets of the Retirement Plan will be used to purchase annuity contracts from an insurance company selected after a Request for Proposal process for the benefit of all remaining plan participants. This change will not affect the amount of the benefit that any participant has earned under the Retirement Plan.

The Society made contributions to the defined contribution plan for nonunion employees of approximately \$4,202,000 and \$4,101,000 for the years ended June 30, 2025 and 2024, 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 \$7,188,000 and \$6,759,000 for the years ended June 30, 2025 and 2024, 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 \$4,856,000 and \$4,176,000 for the years ended June 30, 2025 and 2024, 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 2024, 2023 and 2022 are for the plan's year-end at December 31, 2024, 2023 and 2022, 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 91.6%, 89.9% and 89.1%, respectively. The expiration date of the collective bargaining agreement is June 30, 2025. The Society is actively bargaining with the union on a contract renewal.

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

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
2025	\$ 4,492,561	No
2024	3,956,196	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, 2025 and 2024, amounted to approximately \$1,846,000 and \$1,615,000, respectively. The decrease and increase in the long-term disability benefit obligation for healthcare for the years ended June 30, 2025 and 2024, amounted to \$3,793,000 and \$617,000, respectively.

The changes of retirement plan benefit obligations and postretirement health and benefits obligations during the years ended June 30, 2025 and 2024, are shown in the below tables.

June 30:	Retirement Plan Benefits		Postretirement Health and Benefits	
	2025	2024	2025	2024
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 47,638,592	\$ 51,791,607	\$ 54,589,742	\$ 48,153,628
Service cost	-	-	1,893,686	1,395,835
Interest cost	2,481,794	2,574,462	3,413,769	2,471,185
Plan participants' contributions	-	-	370,098	380,781
Special termination benefits:				
Actuarial loss (gain)	1,581,056	(565,102)	4,164,421	4,093,645
Benefits paid	(5,837,794)	(6,162,375)	(2,262,367)	(1,905,332)
Benefit obligation at end of year	45,863,648	47,638,592	62,169,349	54,589,742
Change in plan assets:				
Fair value of plan assets at beginning of year	55,300,123	53,610,381	-	-
Actual return on plan assets	3,637,875	7,108,791	-	-
Employer contributions	-	1,687,129	1,892,269	1,524,551
Plan participants' contributions	-	-	370,098	380,781
Benefits paid	(5,837,794)	(6,162,375)	(2,262,367)	(1,905,332)
Expenses paid	(495,912)	(943,803)	-	-
Fair value of plan assets at end of year	52,604,292	55,300,123	-	-
Funded status at end of year	\$ 6,740,644	\$ 7,661,531	\$ (62,169,349)	\$ (54,589,742)

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

June 30:	Retirement Plan Benefits		Postretirement Health and Benefits	
	2025	2024	2025	2024
Amounts recognized as assets (liabilities) in the statement of financial position:	\$ 6,740,644	\$ 7,661,531	\$ (62,169,349)	\$ (54,589,742)
Amounts recognized as cumulative changes in pension and other postretirement costs other than net periodic costs:				
Net actuarial loss (gain)	\$ 9,021,638	\$ 8,290,576	\$ 3,071,086	\$ (1,093,335)
Net amount recognized	\$ 9,021,638	\$ 8,290,576	\$ 3,071,086	\$ (1,093,335)
Components of net benefit cost:				
Components of net periodic benefit cost:				
Service cost	\$ -	\$ -	\$ 1,893,686	\$ 1,395,835
Expenses	640,000	720,000	-	-
Interest cost	2,481,794	2,574,462	3,413,769	2,471,185
Expected return on plan assets	(3,598,487)	(3,681,888)	-	-
Amortization of losses (gains)	666,518	749,156	-	(124,920)
Net periodic benefit cost	189,825	361,730	5,307,455	3,742,100
Changes in pension and postretirement costs other than net periodic costs:				
Recognized actuarial (loss) gain	\$ (666,518)	\$ (749,156)	\$ -	\$ 124,920
Recognized gain (loss)	1,397,580	(3,768,202)	-	-
Net actuarial gain	-	-	4,164,421	4,093,645
Net changes in other than periodic cost	731,062	(4,517,358)	4,164,421	4,218,565
Net benefit cost	\$ 920,887	\$ (4,155,628)	\$ 9,471,876	\$ 7,960,665

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, 2025 and 2024, the retirement benefits plan experienced a decrease in the net benefit obligation. The primary drivers for the decrease were actuarial losses and a decrease in the discount rate.

During the years ended June 30, 2025 and 2024, the postretirement health and benefits plan experienced an increase in the net benefit obligation. The primary drivers for the increase were actuarial losses due to updated claims costs, as well as an expected increase due to the passage of time.

Weighted-average assumptions for the years ended June 30, are:

	Retirement Plan Benefits		Postretirement Health and Benefits	
	2025	2024	2025	2024
Discount rate	5.30%	5.45%	5.90%	5.65%

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	
	2025	2024	2025	2024
Discount rate	5.45%	5.35%	5.65%	5.40%
Expected return on plan assets	7.00%	7.00%	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 8.39% and 8.67% in years ended June 30, 2025 and 2024, respectively. The 8.39% rate in fiscal year 2025 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:

Years ending June 30:	Retirement	Postretirement
	Plan Benefits	Health Benefits
2026	\$ 5,045,434	\$ 1,916,000
2027	4,803,006	2,110,000
2028	4,582,193	2,311,000
2029	4,333,465	2,523,000
2030	4,288,419	2,720,000
2031–2035	17,992,278	16,881,000

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 Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

During fiscal year 2024, and at the start of fiscal year 2025, the investment policy for the Retirement Plan was 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. In anticipation of the possibility of terminating the Retirement Plan, and transferring all assets and liabilities to an insurance company, the Retirement and the Benefits Committee approved changes to the investment policy that increased the percentage of fixed income holdings and directed they should be held until maturity and laddered in a manner sufficient to fund required distributions. By the end of fiscal year 2025, 99% of all investments were held in fixed income securities and cash. In December 2025, the Board of Directors, through the Executive Committee, approved a resolution amending and terminating the Retirement Plan effective April 1, 2026.

The fair value of the Retirement Plan's investments at June 30, 2025 and 2024, by asset category, are as follows:

	2025			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 935,124	\$ -	\$ -	\$ 935,124
Corporate bonds	51,096,554	-	-	51,096,554
Total investments assets in the fair value hierarchy	<u>\$ 52,031,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>52,031,678</u>
Alternative investment fund measured at NAV ⁽¹⁾				572,614
Total investments				<u>\$ 52,604,292</u>
	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
	<u>38,321,954</u>	<u>-</u>	<u>-</u>	<u>38,321,954</u>
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	<u>\$ 40,760,456</u>	<u>\$ 13,976,790</u>	<u>\$ -</u>	<u>54,737,246</u>
Alternative investment fund measured at NAV ⁽¹⁾				562,877
Total investments				<u>\$ 55,300,123</u>

The Legal Aid Society

Notes to Financial Statements

Note 13. Employee Benefit Plans (Continued)

(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.

Equity 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.