

LEGAL SERVICES FOR CHILDREN, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024



LEGAL SERVICES FOR CHILDREN, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-18



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Legal Services for Children, Inc.

Opinion

We have audited the accompanying financial statements of Legal Services for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Services for Children, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Services for Children, Inc. 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 Legal Services for Children, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the 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 Legal Services for Children, Inc.'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 Legal Services for Children, Inc.'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.

January 23, 2026

Perotti & Carade

LEGAL SERVICES FOR CHILDREN, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,328,071	\$ 2,203,298
Investments	4,039,406	2,775,677
Grants and contributions receivable	912,711	884,236
Prepaid expenses	66,848	106,272
Total current assets	6,347,036	5,969,483
Non-Current Assets		
Grants receivable, long-term	150,000	-
Property and equipment, net	19,994	25,040
Operating lease right-of-use asset	185,057	270,202
Endowment fund	139,435	130,225
Total non-current assets	494,486	425,467
Total Assets	\$ 6,841,522	\$ 6,394,950
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 91,678	\$ 104,972
Accrued vacation	177,638	168,203
Other accrued expenses	114,999	43,038
Current portion of operating lease liability	90,499	85,303
Total current liabilities	474,814	401,516
Long-Term Liability: operating lease liability	103,982	194,481
Total Liabilities	578,796	595,997
Net Assets		
Without donor restrictions:		
Undesignated	3,163,999	3,352,410
Board-designated	1,955,146	1,769,265
Total without donor restrictions	5,119,145	5,121,675
With donor restrictions	1,143,581	677,278
Total net assets	6,262,726	5,798,953
Total Liabilities and Net Assets	\$ 6,841,522	\$ 6,394,950

See accompanying notes to financial statements.

LEGAL SERVICES FOR CHILDREN, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Government grants	\$ 2,177,680	\$ 226,334	\$ 2,404,014	\$ 2,030,643	\$ 163,664	\$ 2,194,307
Contributed nonfinancial assets	1,544,461	-	1,544,461	1,406,046	-	1,406,046
Foundation and community grants	597,443	793,959	1,391,402	2,524,886	383,837	2,908,723
Contributions	404,744	-	404,744	391,134	-	391,134
Other contributions	28,702	-	28,702	37,019	-	37,019
Gross special events revenue	361,183	-	361,183	226,306	-	226,306
Less: costs of direct benefit to donors	(48,321)	-	(48,321)	(7,350)	-	(7,350)
Net special event revenue	312,862	-	312,862	218,956	-	218,956
Subtotal	5,065,892	1,020,293	6,086,185	6,608,684	547,501	7,156,185
Net assets released from restrictions	563,200	(563,200)	-	829,417	(829,417)	-
Total revenue and support	5,629,092	457,093	6,086,185	7,438,101	(281,916)	7,156,185
Functional Expenses						
Program services	5,014,988	-	5,014,988	4,673,727	-	4,673,727
General and administrative	412,396	-	412,396	328,278	-	328,278
Development	476,701	-	476,701	498,995	-	498,995
Total functional expenses	5,904,085	-	5,904,085	5,501,000	-	5,501,000
Change in net assets before investment earnings	(274,993)	457,093	182,100	1,937,101	(281,916)	1,655,185
Investment Earnings						
Interest and dividends	228,989	1,216	230,205	78,333	5,191	83,524
Realized and unrealized gains on investments	38,474	12,994	51,468	111,671	8,885	120,556
Net assets released from restrictions	5,000	(5,000)	-	5,000	(5,000)	-
Total investment earnings	272,463	9,210	281,673	195,004	9,076	204,080
Change in Net Assets	(2,530)	466,303	463,773	2,132,105	(272,840)	1,859,265
Net Assets at Beginning of Year	5,121,675	677,278	5,798,953	2,989,570	950,118	3,939,688
Net Assets at End of Year	\$ 5,119,145	\$ 1,143,581	\$ 6,262,726	\$ 5,121,675	\$ 677,278	\$ 5,798,953

See accompanying notes to financial statements.

LEGAL SERVICES FOR CHILDREN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

	Programs	General and Administrative	Development	Total
Salaries and wages	\$ 2,460,645	\$ 234,220	\$ 338,568	\$ 3,033,433
Benefits	374,020	35,601	51,463	461,084
Payroll taxes	187,162	17,815	25,752	230,729
Total compensation costs	3,021,827	287,636	415,783	3,725,246
Contributed legal services	1,544,461	-	-	1,544,461
Consulting and professional services	132,874	71,431	14,732	219,037
Occupancy	83,734	8,271	11,371	103,376
Special event and other fundraising	-	-	65,758	65,758
Telephone	37,660	3,720	5,114	46,494
Dues and subscriptions	32,165	3,938	2,208	38,311
Office supplies	30,803	3,001	4,127	37,931
Insurance	23,138	2,286	3,142	28,566
Travel	27,282	-	-	27,282
Staff training, conferences and meetings	21,266	1,626	471	23,363
Audit fee	-	22,000	-	22,000
Program supplies	16,682	-	-	16,682
Program litigation fees	15,334	-	-	15,334
Depreciation and amortization	8,505	840	1,155	10,500
Bad debts	7,998	-	-	7,998
Equipment rental and repairs	6,237	773	533	7,543
Bank charges	-	6,418	-	6,418
Postage, copying, and printing	4,622	456	628	5,706
Stipends and subgrants	400	-	-	400
Total expenses by function	\$ 5,014,988	\$ 412,396	\$ 525,022	\$ 5,952,406
Less: expenses included with revenues on the statement of activities:				
Cost of direct benefits to donors	-	-	(48,321)	(48,321)
Total expenses	\$ 5,014,988	\$ 412,396	\$ 476,701	\$ 5,904,085

See accompanying notes to financial statements.

LEGAL SERVICES FOR CHILDREN, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

	Programs	General and Administrative	Development	Total
Salaries and wages	\$ 2,311,912	\$ 228,915	\$ 331,851	\$ 2,872,678
Benefits	305,045	30,205	43,786	379,036
Payroll taxes	173,074	17,137	24,843	215,054
Total compensation costs	2,790,031	276,257	400,480	3,466,768
Contributed legal services	1,406,046	-	-	1,406,046
Consulting and professional services	106,825	80,076	9,641	196,542
Occupancy	81,709	9,079	10,087	100,875
Special event and other fundraising	-	-	65,094	65,094
Telephone	37,581	4,177	4,640	46,398
Dues and subscriptions	32,996	1,135	1,437	35,568
Office supplies	20,451	2,213	2,465	25,129
Insurance	23,533	2,615	2,905	29,053
Travel	22,787	-	-	22,787
Staff training, conferences and meetings	30,460	1,507	734	32,701
Audit fee	-	19,250	-	19,250
Program supplies	12,062	-	-	12,062
Program litigation fees	11,965	-	-	11,965
Depreciation and amortization	6,662	740	822	8,224
Bad debts	25,495	-	-	25,495
Equipment rental and repairs	61,173	6,797	7,552	75,522
Bank charges	-	7,378	-	7,378
Postage, copying, and printing	3,951	439	488	4,878
Compliance	-	(83,385)	-	(83,385)
Total expenses by function	\$ 4,673,727	\$ 328,278	\$ 506,345	\$ 5,508,350
Less: expenses included with revenues on the statement of activities:				
Cost of direct benefits to donors	-	-	(7,350)	(7,350)
Total expenses	\$ 4,673,727	\$ 328,278	\$ 498,995	\$ 5,501,000

See accompanying notes to financial statements.

LEGAL SERVICES FOR CHILDREN, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 463,773	\$ 1,859,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,500	8,224
Realized and unrealized gains from endowment fund and investments	(51,468)	(120,556)
Interest and dividend income from endowment fund and investments	(226,470)	(83,121)
Operating lease expense	91,352	91,352
Changes in operating assets and liabilities:		
Grants and contributions receivable	(178,475)	(98,039)
Prepaid expenses	39,424	(37,679)
Accounts payable and accrued expenses	(13,294)	34,595
Accrued vacation	9,435	43,911
Lease liability payments	(91,510)	(89,112)
Other accrued expenses	71,961	(59,986)
Net cash provided by operating activities	125,228	1,548,854
Cash Flows from Investing Activities		
Securities purchased	(1,188,769)	(1,858,653)
Securities sold	188,768	757,911
Property additions	(5,454)	(14,591)
Appropriation from endowment fund	5,000	5,000
Net cash used in investing activities	(1,000,455)	(1,110,333)
Net Increase (Decrease) in Cash and Cash Equivalents	(875,227)	438,521
Cash and Cash Equivalents - Beginning of Year	2,203,298	1,764,777
Cash and Cash Equivalents - End of Year	\$ 1,328,071	\$ 2,203,298

See accompanying notes to financial statements.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

1. ORGANIZATION

Legal Services for Children, Inc. (“the Organization”) was incorporated in 1975 under the laws of the State of California. One of the first nonprofit law firms for children and youth in the country, the Organization has served tens of thousands of children and youth. The Organization remains one of the few agencies of its kind and is well known in the community as a resource for at-risk children. Through its direct services, the Organization has been instrumental in shaping policy as it affects children in the San Francisco Bay Area and participates regularly in numerous collaborative efforts with other similar community-based organizations.

The Organization’s attorneys and social workers work together to assess and address the needs of each child holistically. Using this interdisciplinary approach, the Organization provides children with a wide spectrum of services, including legal representation and advocacy, psychosocial assessment, crisis intervention, case management, and counseling. The Organization provides representation to children in matters involving abuse and neglect, guardianship, immigration, and school discipline. The Organization also works with a panel of pro bono attorneys who assist with guardianship, immigration, and education matters.

Each year, the Organization serves over 1,000 children and concerned adults through an intake hotline and provides direct representation and advocacy to over 600 minors each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers. Certain amounts from the 2024 financial statements have been reclassified to conform with current year presentation.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve. Net assets with donor restrictions are subject to donor-imposed restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the board limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued) – Net assets with donor restrictions are resources that are 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, such as those that the donor stipulates that resources be maintained in perpetuity. The Organization’s donor-restricted endowment fund, including the unspent appreciation of the endowment fund and the portion of the Organization’s donor-restricted endowment fund that the Organization is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

Cash and Cash Equivalents – Cash and cash equivalents consist of all cash and money market funds on hand maintained at banking and investing institutions.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions in which the use is limited by the donor are reported as increases in net assets with donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions are satisfied in the fiscal year in which the contributions are recognized. Conditional promises to give are reported as increases in net assets without donor restriction if restrictions are satisfied at the same time the conditions are also met. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. As of June 30, 2025 there was at least \$420,000 of conditional grants not reflected as revenue. The grants will be recorded as revenue once the Organization meets the conditions.

Grants and Contributions Receivable Realization – An allowance for credit losses reflects management’s best estimate of probable losses inherent in grants and contributions receivable balances. Management primarily determines the allowance based on the aging of accounts receivable balances. Receivables are generally considered past due once a receivable is older than thirty days. It is the Organization’s policy to not charge interest on its receivables. Receivables are written off once management has determined the ability to collect is not possible. No allowance was deemed necessary as of June 30, 2025 and 2024. There were no changes in the allowance during the years ended June 30, 2025 and 2024. Of the grants and contributions receivable, \$150,000 is expected to be collected in the year ending June 30, 2027.

Contributed Nonfinancial Assets – Contributed nonfinancial assets represent contributed goods and services. The Organization recognizes in-kind donations received at estimated fair value if such goods or services are measurable, would otherwise be purchased and (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements – The Organization adopted a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization’s financial assets shown at fair value include investments (composed of the board-designated reserve securities) and the endowment fund and valued using the following categories: Level 1 - quoted prices in active markets for identical investments; Level 2 - pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date; and Level 3 – pricing inputs with significant unobservable inputs. As of June 30, 2025 and 2024, the Organization had no investments classified as Level 3. Investment earnings include unrealized and realized gains and losses, interest and dividends.

Property and Equipment – Property, which consists of leasehold improvements and furniture and equipment, is recorded at cost at the date of purchase or, if donated, at the fair market value on the date received if the value is \$5,000 or more. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, with lives that range from 3-5 years (furniture and equipment); 5-10 years or the lease term whichever is shorter (leasehold improvements).

Leases – The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Leases are evaluated on a regular basis to consider economic and strategic incentives of exercising the renewal options, and how they align with the Organization’s operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

Advertising Costs – Advertising costs are expensed as incurred. Advertising costs were de minimis during the years ended June 30, 2025 and 2024.

Income Taxes – The Organization is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Organization has evaluated its current tax positions as of

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued) – June 30, 2025 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization’s tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs, including personnel costs, insurance, depreciation, and occupancy, have been allocated among the programs and supporting services benefited based upon management’s analysis of time and effort spent on the programs and supportive services.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

3. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of immediate cash requirements are invested in appropriate investment accounts, including a board designated long-term operating reserve, which can be utilized.

The following table reflects the Organization’s financial assets as of June 30, 2025 and 2024, that are available to meet general expenditures within one year of the statement of financial position date.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,328,071	\$ 2,203,298
Investments	4,039,406	2,775,677
Grants and contributions receivable	912,711	884,236
Endowment fund	139,435	130,225
Less:		
Purpose restricted net assets with donor restriction	(861,081)	(522,695)
Endowment fund	(139,435)	(130,225)
Board-designated reserve	<u>(1,955,146)</u>	<u>(1,769,265)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,463,961</u>	<u>\$ 3,571,251</u>

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds	\$ 1,025,979	\$ -	\$ -	\$ 1,025,979
Bond funds	-	657,211	-	657,211
Exchange traded funds	175,379	-	-	175,379
Money market funds	2,180,837	-	-	2,180,837
	<u>\$ 3,382,195</u>	<u>\$ 657,211</u>	<u>\$ -</u>	<u>\$ 4,039,406</u>
Total Investments	<u>\$ 3,382,195</u>	<u>\$ 657,211</u>	<u>\$ -</u>	<u>\$ 4,039,406</u>
Endowment Fund				
Cash and money market funds	\$ 4,678	-	-	4,678
Equity mutual funds	134,757	-	-	134,757
	<u>\$ 139,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,435</u>
Total Endowment Fund	<u>\$ 139,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139,435</u>

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds	\$ 1,065,550	\$ -	\$ -	\$ 1,065,550
Bond funds	-	614,758	-	614,758
Money market funds	1,095,369	-	-	1,095,369
	<u>\$ 2,160,919</u>	<u>\$ 614,758</u>	<u>\$ -</u>	<u>\$ 2,775,677</u>
Total Investments	<u>\$ 2,160,919</u>	<u>\$ 614,758</u>	<u>\$ -</u>	<u>\$ 2,775,677</u>
Endowment Fund				
Cash and money market funds	\$ 5,980	-	-	5,980
Equity mutual funds	78,567	-	-	78,567
Bond funds	-	45,678	-	45,678
	<u>\$ 84,547</u>	<u>\$ 45,678</u>	<u>\$ -</u>	<u>\$ 130,225</u>
Total Endowment Fund	<u>\$ 84,547</u>	<u>\$ 45,678</u>	<u>\$ -</u>	<u>\$ 130,225</u>

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

5. BOARD DESIGNATED RESERVE

The Organization's Board designated cash and investments are held in a brokerage account as a long-term operating reserve. As of June 30, 2025, the Board-designated reserve totaled \$1,955,146 and consisted of investments of \$1,949,000 and cash and cash equivalents of \$6,146. As of June 30, 2024, the Board-designated reserve totaled \$1,769,265 and consisted of investments of \$1,766,854 and cash and cash equivalents of \$2,411.

A summary of earnings for the years ended June 30, 2025 and 2024 follows for the assets held in the board designated reserve:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 228,989	\$ 78,333
Net unrealized gains	7,471	111,671
Total	<u>\$ 236,460</u>	<u>\$ 190,004</u>

6. ENDOWMENT FUND

The Organization's endowment consists of a donor-restricted endowment fund.

A donor-restricted endowment was established in 2013 in order for the Organization to support its internship program. The endowment is to be invested in perpetuity with the appreciation in value to be used at the discretion of the governing board to support operations.

In January 2009, the State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which establishes standards relating to the management of endowment and quasi-endowment funds by nonprofit organizations.

Interpretation of Relevant Law

The Board of the Organization has interpreted the California version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as within net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is separately distinguished within net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

6. ENDOWMENT FUND (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment and Spending Policies

The Organization's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment and long-term planning. The investment policy emphasizes total return, which allows the Organization to utilize current dividend and interest income, and over time, a portion of the aggregate capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Within that framework, the investment policy establishes an achievable return objective through diversification of asset classes. Under this policy, as approved by the Board the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy in which during its annual budget process the Organization will determine whether it should appropriate a portion of the endowment for the following year. The appropriation requires approval of the board each year. In establishing this policy, the Organization considers the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

6. ENDOWMENT FUND (continued)

The changes in endowment net assets for the years ended June 30, 2025 and 2024 and the composition of endowment net assets are as follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Time Restricted</u>	<u>Restricted in Perpetuity</u>	
Balance, June 30, 2023	\$ 33,109	\$ 88,040	\$ 121,149
Investment return:			
Interest and dividends	5,191	-	5,191
Change in fair value of investments	8,885	-	8,885
Total investment return	14,076	-	14,076
Appropriation of endowment earnings for expenditure	(5,000)	-	(5,000)
Balance, June 30, 2024	42,185	88,040	130,225
Investment return:			
Interest and dividends	1,216	-	1,216
Change in fair value of investments	12,994	-	12,994
Total investment return	14,210	-	14,210
Appropriation of endowment earnings for expenditure	(5,000)	-	(5,000)
Balance, June 30, 2025	\$ 51,395	\$ 88,040	\$ 139,435

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Leasehold improvements	\$ 21,784	\$ 16,330
Furniture and equipment	20,027	20,027
Total property	41,811	36,357
Less: accumulated depreciation and amortization	(21,817)	(11,317)
Net Property and Equipment	\$ <u>19,994</u>	\$ <u>25,040</u>

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Purpose restricted:		
Education	\$ 337,500	\$ -
Immigration	257,293	46,667
Endowment - principal	88,040	88,040
Dependency	53,427	101,240
Guardianship	53,426	101,240
Endowment - earnings	51,395	42,185
Fellowship	20,000	21,664
Infrastructure	-	121,259
Other	-	400
	<u>861,081</u>	<u>522,695</u>
Total purpose restricted net assets	861,081	522,695
Time restricted: General	<u>282,500</u>	<u>154,583</u>
Total net assets with donor restrictions	<u>\$ 1,143,581</u>	<u>\$ 677,278</u>

Net assets with donor restrictions were released from donor restriction by incurring expenses satisfying the purposes specified by donors during the years ended June 30 as follows:

	<u>2025</u>	<u>2024</u>
General	\$ 154,583	\$ 52,710
Infrastructure	121,259	163,607
Guardianship	109,314	366,514
Dependency	109,313	24,961
Immigration	46,667	200,000
Fellowship	21,664	14,438
Endowment	5,000	5,000
Other	400	7,187
	<u>568,200</u>	<u>834,417</u>
Releases from restrictions	<u>\$ 568,200</u>	<u>\$ 834,417</u>

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

9. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended June 30, 2025 and 2024, the Organization recognized \$1,544,461 and \$1,406,046, respectively, of nonfinancial assets within revenue on the statements of activities. Contributed nonfinancial assets did not have donor-imposed restrictions, unless otherwise noted. The costs were reflected as contributed legal services under programs on the statements of functional expenses. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

10. RETIREMENT PLAN

Effective December 31, 2024, the Organization terminated its defined contribution 401(k) retirement plan and adopted a 403(b) plan effective January 1, 2025. Employees may make elective deferrals under both plans with no minimum service requirement. Under the 403(b) plan, employees become eligible for employer nonelective contributions upon completing nine months of service, with the entry date being the date eligibility is met.

The Organization contributed \$67,500 and \$62,500 to its retirement plans for the years ended June 30, 2025 and 2024,, respectively.

11. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (“ROU”) asset represents the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU asset and lease liability, all of which arise from an operating lease, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. One contract, an office lease that expires in July 2027, met the criteria. The discount rate applied to calculate the lease liability as of June 30, 2025, was 2.66%.

For the years ended June 30, 2025 and 2024, total operating lease expense was \$91,352 for each year. As of June 30, 2025, the weighted-average remaining lease term for the Organization’s operating lease was approximately two years.

Cash paid for the operating lease for the years ended June 30, 2025 and 2024 was \$91,510 and \$89,112, respectively. There were no noncash investing and financing transactions related to the operating lease.

LEGAL SERVICES FOR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

11. OPERATING LEASES (continued)

Future minimum lease payments under noncancelable operating leases discounted to present value are presented in the following table, for the years ending June 30:

2026	\$	94,368
2027		97,248
2028		8,124
Total remaining payments		<u>199,740</u>
Less: remaining discount		<u>(5,259)</u>
Lease obligation	\$	<u>194,481</u>

12. RISKS AND UNCERTAINTIES

Cash and Cash Equivalents – Financial instruments that potentially subject the Organization to credit risk include cash on deposit with a financial institution that at times is in excess of the \$250,000 insurance limitation of the Federal Deposit Insurance Corporation (“FDIC”).

Revenue – For the year ended June 30, 2025, more than 11% of the Organization’s revenue is derived from one funder. For the year ended June 30, 2024, more than 27% of the Organization’s revenue is derived from one funder, from whom the Organization does not expect to receive ongoing support as that funding was a one-time opportunity for all recipients.

Union Agreement – The Organization executed an agreement with the Engineers and Scientists of California Local 20 International Federation of Professional and Technical Engineers, AFL-CIO & CLC which became effective October 3, 2022 through October 3, 2025. The agreement requires specific benefits for employees covered by the agreement including, but not limited to: contributions to the 401(K) plan, benefits, and increases in compensation annually.

In May 2025, the agreement was extended through October 3, 2026.

13. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to June 30, 2025, for potential recognition or disclosure in the financial Statements. Subsequent events have been evaluated through January 23, 2026, the date on which the financial statements were available to be issued.