



Report of Independent Auditors
and Consolidated Financial Statements

The Bar Association of San Francisco and Affiliate

December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
The Bar Association of San Francisco and Affiliate

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of The Bar Association of San Francisco and Affiliate (collectively the Bar Association), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Bar Association of San Francisco and Affiliate as of December 31, 2025 and 2024, and the changes in their net assets and their 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 (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 Bar Association 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bar Association's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Bar Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bar Association'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.

Baker Tilly US, LLP

San Francisco, California

April 20, 2026

Consolidated Financial Statements

The Bar Association of San Francisco and Affiliate
Consolidated Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 2,867,387	\$ 2,529,410
Restricted cash	85,116	67,846
Accounts receivable, net	1,319,047	1,444,666
Pledges receivable, net	89,673	17,667
Grants receivable	783,721	1,951,886
Investments	15,847,526	12,038,586
Prepaid expenses	375,554	332,579
Operating lease, right of use asset	5,701,045	6,477,325
Fixed assets, net	<u>2,470,699</u>	<u>2,600,472</u>
Total assets	<u><u>\$ 29,539,768</u></u>	<u><u>\$ 27,460,437</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 184,697	\$ 234,295
Accrued liabilities	1,433,148	1,284,188
Funds held in trust	83,170	67,846
Lines of credit	652,894	1,055,057
Deferred revenue	1,850,769	1,278,603
Note payable	856,997	922,836
Operating lease liability	<u>5,955,096</u>	<u>6,576,436</u>
Total liabilities	<u>11,016,771</u>	<u>11,419,261</u>
NET ASSETS		
Without donor restrictions		
Undesignated	6,750,649	4,811,380
Designated	<u>8,424,157</u>	<u>7,562,443</u>
Total without donor restrictions	15,174,806	12,373,823
With donor restrictions		
Program services	1,884,160	2,365,346
Endowment	<u>1,464,031</u>	<u>1,302,007</u>
Total with donor restrictions	<u>3,348,191</u>	<u>3,667,353</u>
Total net assets	<u>18,522,997</u>	<u>16,041,176</u>
Total liabilities and net assets	<u><u>\$ 29,539,768</u></u>	<u><u>\$ 27,460,437</u></u>

See accompanying notes.

The Bar Association of San Francisco and Affiliate
Consolidated Statements of Activities
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Membership dues						
General bar	\$ 1,620,811	\$ -	\$ 1,620,811	\$ 1,567,773	\$ -	\$ 1,567,773
Sections	146,843	-	146,843	138,071	-	138,071
Lawyer referral services	26,740	-	26,740	37,548	-	37,548
Subtotal membership dues	1,794,394	-	1,794,394	1,743,392	-	1,743,392
Referral and other fees	4,438,769	-	4,438,769	4,635,918	-	4,635,918
Contracts and government grants	6,671,525	-	6,671,525	6,198,093	-	6,198,093
Charitable contributions and grants	962,229	416,123	1,378,352	530,594	1,798,770	2,329,364
Continuing education, events, and conferences	869,489	-	869,489	816,688	-	816,688
Advertising	93,093	-	93,093	81,172	-	81,172
Cooperative Restraining Order Clinic	962,708	-	962,708	1,398,134	-	1,398,134
Special events	354,400	-	354,400	409,440	-	409,440
Investment income, net	1,745,614	192,024	1,937,638	755,464	90,397	845,861
Royalties and other income	2,039,116	-	2,039,116	727,022	-	727,022
Net assets released from restriction	927,309	(927,309)	-	434,334	(434,334)	-
Total revenues, gains, and other support	20,858,646	(319,162)	20,539,484	17,730,251	1,454,833	19,185,084
EXPENSES						
Program services						
JDC program services	7,860,439	-	7,860,439	7,657,877	-	7,657,877
BASF program services	5,489,206	-	5,489,206	5,232,657	-	5,232,657
Management and general	4,184,952	-	4,184,952	3,795,626	-	3,795,626
Fundraising	523,066	-	523,066	513,662	-	513,662
Total expenses	18,057,663	-	18,057,663	17,199,822	-	17,199,822
CHANGE IN NET ASSETS	2,800,983	(319,162)	2,481,821	530,429	1,454,833	1,985,262
NET ASSETS, at beginning of year	12,373,823	3,667,353	16,041,176	11,843,394	2,212,520	14,055,914
NET ASSETS, at end of year	\$ 15,174,806	\$ 3,348,191	\$ 18,522,997	\$ 12,373,823	\$ 3,667,353	\$ 16,041,176

See accompanying notes.

The Bar Association of San Francisco and Affiliate
Consolidated Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

2025																		
Program Services												Supporting Services						
JDC Program Services					BASF Program Services							Total Program Services	JDC Management and General	BASF Management and General	Total Management and General	JDC Fundraising	Total Supporting Services	Total
PBLS/HAP Legal Services	Immigration Program	Diversity Educational Programs	Cooperative Restraining Order Clinic	JDC Program Services Subtotal	Membership	Publications	Alternate Dispute Resolution	Continuing Legal Education	Lawyer Referral Service	BASF Program Services Subtotal								
Personnel	\$ 4,369,853	\$ 1,085,156	\$ 78,983	\$ 780,147	\$ 6,314,139	\$ 222,393	\$ -	\$ 954,893	\$ 595,577	\$ 2,314,285	\$ 4,087,148	\$ 10,401,287	\$ 830,711	\$ 2,075,391	\$ 2,906,102	\$ 302,974	\$ 3,209,076	\$ 13,610,363
Rent and occupancy	260,786	62,660	8,568	56,042	388,056	-	-	94,285	57,810	217,278	369,373	757,429	28,689	262,167	290,856	26,854	317,710	1,075,139
Subcontractor	289,285	1,595	-	51,874	342,754	13,800	-	218,321	11,738	25,091	268,950	611,704	28,841	101,546	130,387	2,794	133,181	744,885
Administrative	33,442	5,351	-	107,887	146,680	-	-	12,840	1,750	32,286	46,876	193,556	212,373	161,884	374,257	3,211	377,468	571,024
Events	7,421	4,800	1,322	-	13,543	34,766	28,409	20,279	311,515	-	394,969	408,512	11,610	13,107	24,717	134,397	159,114	567,626
Technology	40,700	31,762	196	29,045	101,703	2,969	-	15,066	18,992	79,351	116,378	218,081	51,556	173,602	225,158	8,670	233,828	451,909
Fees, dues & subscriptions	63,179	18,069	-	23,292	104,540	497	2,030	4,034	4,264	62,076	72,901	177,441	2,154	8,152	10,306	-	10,306	187,747
Grants administration	61,082	16,516	110	-	77,708	-	-	7,526	-	894	8,420	86,128	1,779	-	1,779	36,973	38,752	124,880
Insurance	49,121	11,233	576	7,896	68,826	-	-	6,685	-	17,185	23,870	92,696	11,306	26,763	38,069	2,432	40,501	133,197
Depreciation and amortization	66,144	-	-	797	66,941	-	-	-	-	-	-	66,941	-	56,801	56,801	-	56,801	123,742
Supplies	34,642	12,140	1,827	5,638	54,247	411	-	12,721	2,260	13,569	28,961	83,208	2,866	9,934	12,800	2,525	15,325	98,533
Conference and travel	14,196	15,734	12,012	12,661	54,603	390	-	3,395	11,342	12,033	27,160	81,763	2,084	9,416	11,500	1,078	12,578	94,341
Interest	-	-	-	-	-	-	-	-	-	-	-	-	35,756	47,837	83,593	-	83,593	83,593
Scholarships and stipends	5,000	7,500	70,000	-	82,500	-	-	-	-	-	-	82,500	-	-	-	-	-	82,500
Telecommunications	23,973	10,855	272	6,704	41,804	1,042	-	6,726	2,933	7,462	18,163	59,967	3,623	12,289	15,912	1,158	17,070	77,037
Training	862	75	-	1,458	2,395	-	-	25,050	965	22	26,037	28,432	772	1,943	2,715	-	2,715	31,147
Total expenses	\$ 5,319,686	\$ 1,283,446	\$ 173,866	\$ 1,083,441	\$ 7,860,439	\$ 276,268	\$ 30,439	\$ 1,381,821	\$ 1,019,146	\$ 2,781,532	\$ 5,489,206	\$ 13,349,645	\$ 1,224,120	\$ 2,960,832	\$ 4,184,952	\$ 523,066	\$ 4,708,018	\$ 18,057,663
2024																		
Program Services												Supporting Services						
JDC Program Services					BASF Program Services							Total Program Services	JDC Management and General	BASF Management and General	Total Management and General	JDC Fundraising	Total Supporting Services	Total
PBLS/HAP Legal Services	Immigration Program	Diversity Educational Programs	Cooperative Restraining Order Clinic	JDC Program Services Subtotal	Membership	Publications	Alternate Dispute Resolution	Continuing Legal Education	Lawyer Referral Service	BASF Program Services Subtotal								
Personnel	\$ 4,299,907	\$ 773,548	\$ 92,923	\$ 790,057	\$ 5,956,435	\$ 214,817	\$ -	\$ 874,610	\$ 571,780	\$ 2,162,007	\$ 3,823,214	\$ 9,779,649	\$ 832,809	\$ 1,970,624	\$ 2,803,433	\$ 293,775	\$ 3,097,208	\$ 12,876,857
Rent and occupancy	258,867	53,303	12,128	54,341	378,639	-	-	89,370	38,043	196,203	323,616	702,255	137,622	144,524	282,146	22,130	304,276	1,006,531
Subcontractor	285,509	2,212	-	253,277	540,998	-	-	301,503	39,417	19,642	360,562	901,560	-	13,077	13,077	4,089	17,166	918,726
Events	8,542	5,876	75	3,180	17,673	88,301	7,200	20,712	257,221	-	373,434	391,107	-	8,632	8,632	132,121	140,753	531,860
Administrative	44,634	11,533	51	118,402	174,620	-	-	15,096	-	22,439	37,535	212,155	129,333	46,824	176,157	4,536	180,693	392,848
Technology	54,378	14,380	-	24,616	93,374	2,683	-	8,994	10,987	69,829	92,493	185,867	-	96,024	96,024	13,605	109,629	295,496
Interest	-	-	-	-	-	-	3,771	295	3,900	70	8,036	8,036	38,443	189,375	227,818	-	227,818	235,854
Fees, dues & subscriptions	28,222	7,866	-	18,904	54,992	1,741	15,694	3,282	1,199	56,866	78,782	133,774	-	33,937	33,937	1,065	35,002	168,776
Depreciation and amortization	66,088	-	-	1,583	67,671	-	-	-	-	-	-	67,671	-	100,663	100,663	-	100,663	168,334
Supplies	32,778	12,792	489	5,945	52,004	426	-	15,917	2,388	23,876	42,607	94,611	-	10,143	10,143	2,167	12,310	106,921
Grants administration	57,524	5,828	-	-	63,352	-	-	15,988	-	789	16,777	80,129	2,420	-	2,420	35,282	37,702	117,831
Insurance	50,911	7,932	660	7,932	67,435	-	-	5,292	-	18,432	23,724	91,159	-	19,064	19,064	2,652	21,716	112,875
Telecommunications	40,520	6,591	478	6,519	54,108	956	-	6,954	2,538	13,093	23,541	77,649	-	14,801	14,801	1,741	16,542	94,191
Scholarships and stipends	3,500	-	85,000	-	88,500	-	-	-	-	-	-	88,500	-	-	-	-	-	88,500
Conference and travel	12,530	12,471	4,231	12,777	42,009	527	-	6,814	9,891	6,820	24,052	66,061	-	5,125	5,125	499	5,624	71,685
Training	2,701	-	-	3,366	6,067	-	-	3,585	-	699	4,284	10,351	-	2,186	2,186	-	2,186	12,537
Total expenses	\$ 5,243,910	\$ 914,332	\$ 196,035	\$ 1,300,899	\$ 7,657,877	\$ 309,451	\$ 26,665	\$ 1,368,412	\$ 937,364	\$ 2,590,765	\$ 5,232,657	\$ 12,890,534	\$ 1,140,627	\$ 2,654,999	\$ 3,795,626	\$ 513,662	\$ 4,309,288	\$ 17,199,822

See accompanying notes.

The Bar Association of San Francisco and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,481,821	\$ 1,985,262
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	123,742	168,334
Net realized and unrealized gains on investment	(1,609,061)	(602,528)
Bad debt expense	-	27,312
Change in allowance for credit losses	-	(45)
Change in operating assets and liabilities		
Accounts receivable	125,619	(65,530)
Pledges receivable, net	(72,006)	309,813
Grants receivable	1,168,165	(92,843)
Prepaid expenses	(42,975)	119,208
Accounts payable and accrued liabilities	99,362	55,699
Funds held in trust	15,324	3,526
Operating lease ROU assets and liabilities, net	154,940	88,604
Deferred revenue	572,166	(468,657)
Net cash provided by operating activities	<u>3,017,097</u>	<u>1,528,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(14,685)	(28,728)
Miscellaneous non-cash adjustment to fixed assets	20,716	-
Purchase of investments	(7,756,585)	(2,281,385)
Proceeds from sale of investments	5,556,706	1,578,720
Net cash used in investing activities	<u>(2,193,848)</u>	<u>(731,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	356,839	80,573
Payments on lines of credit	(759,002)	-
Payments on note payable	(65,839)	(63,153)
Net cash provided by (used in) financing activities	<u>(468,002)</u>	<u>17,420</u>
Net change in cash, cash equivalents, and restricted cash	355,247	814,182
Cash, cash equivalents, and restricted cash at beginning of year	<u>2,597,256</u>	<u>1,783,074</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 2,952,503</u></u>	<u><u>\$ 2,597,256</u></u>

See accompanying notes.

The Bar Association of San Francisco and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	\$ 2,867,387	\$ 2,529,410
Restricted cash	<u>85,116</u>	<u>67,846</u>
	<u>\$ 2,952,503</u>	<u>\$ 2,597,256</u>
 SUPPLEMENTAL CASH-FLOW INFORMATION		
Interest paid	<u>\$ 83,593</u>	<u>\$ 235,854</u>
 Taxes paid	<u>\$ 14,564</u>	<u>\$ 10,849</u>
 Right of use assets acquired under operating lease	<u>\$ -</u>	<u>\$ 6,919,028</u>

See accompanying notes.

The Bar Association of San Francisco and Affiliate

Notes to Consolidated Financial Statements

Note 1 – Organization and Principles of Consolidation

The consolidated financial statements include The Bar Association of San Francisco (BASF) and its affiliate, the Justice and Diversity Center of The Bar Association of San Francisco (JDC), collectively known as the Bar Association or the Organization. Inter-entity amounts are eliminated in these consolidated financial statements.

BASF was founded in 1872 and incorporated as a nonprofit organization in 1949, primarily to serve the needs of attorney members practicing in the City of San Francisco and the San Francisco community at large.

Established in 1977, JDC was incorporated in 1984 as a California nonprofit public benefit corporation. Its purpose is to provide free legal and social services to low-income individuals and families in San Francisco, California.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations. Accordingly, net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Description of net assets – Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions are net assets and activities that represent the portion of expendable funds that are available to support the Organization's operations. A portion of these net assets may be designated by the Organization's Board of Directors as a reserve for core operations as needed.

With donor restrictions is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, that are scheduled to be received more than one year in the future, are recorded at present value, and classified as with donor restrictions until the funds are received and are discounted using a discount rate that is commensurate with the risks involved at the time the contribution is received. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a perpetual source of revenue for charitable purposes, are classified as with donor restriction. The accumulation of assets, above historic gift value, in donor-restricted endowment funds is classified as with donor restriction until appropriated for use based on the Organization's spending policy. The Organization also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

The Bar Association of San Francisco and Affiliate

Notes to Consolidated Financial Statements

Reclassification – Certain amounts reported in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation. These reclassifications did not affect previously reported net assets or changes thereto.

Cash and cash equivalents – Cash and cash equivalents consist of highly liquid instruments with original maturities of three months or less at the time of purchase. Restricted cash is excluded.

Restricted cash – The State Bar of California rules of professional conduct require attorneys to deposit funds received or held for the benefit of clients in a trust account separate from the attorney's own funds. Restricted cash comprises such amounts.

Accounts receivable, net – Accounts receivable are recorded in the consolidated financial statements in the period earned. Management provides an allowance for credit losses to estimate losses from uncollectible accounts. Under this method, an allowance is recorded based upon historical experience and management's evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the donor's willingness or ability to pay. Recoveries of receivables previously written off are recorded when received. Management's evaluation resulted in an allowance for credit losses of \$1,908 as of December 31, 2025 and 2024. All receivables are due in less than one year.

Pledges receivable, net – Unconditional promises to give are recorded in the consolidated financial statements as pledges receivable and charitable contribution revenue in the period the promise is received. Pledges receivable due after one year are recorded at present value, which is calculated using a rate commensurate with the risks involved at the time the contribution is received. Pledges are written off in the period deemed uncollectible. The provision for uncollectible amounts is computed based on management's evaluation of, among other factors, current and reasonably supportable expected future economic conditions and the customer's willingness or ability to pay. Using these criteria, the provision for uncollectible pledges receivable is \$35,462 as of December 31, 2025 and 2024. The provision for uncollectible amounts relating to pledges receivable is reported as an expense or loss in the net asset class in which the net assets are presented. Recoveries of pledges receivable previously written off are recorded when received.

Grants receivable – Grants receivable represent conditional agreements to support a specified cause or purpose. The majority of JDC's grants operate on a reimbursable basis with consistent payment schedules. Revenue for conditional grants receivable is recorded once the funds have been earned and qualify to be reimbursed and received. Grants receivable are stated at the amount JDC expects to collect from outstanding balances based on historical experience. Management does not believe that an allowance is required for grants receivable as of December 31, 2025 and 2024.

Investments – Investments, consisting of fixed income bond funds and equity securities at December 31, 2025 and 2024, are recorded at fair value, which is based upon quoted market prices. Income from gains and losses are shown net of external and direct internal expenses on investments and are reported as follows:

- Increases or decreases in net assets with donor restrictions if the terms of the gift or the Organization's interpretation of relevant state law requires that they be added to the principle of a net asset with donor restrictions.

The Bar Association of San Francisco and Affiliate

Notes to Consolidated Financial Statements

- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.
- Increases or decreases in net assets without donor restrictions in all other cases.

Leases – The Organization accounts for leases in accordance with FASB ASC Topic 842, Leases (Topic 842). Under Topic 842, the Organization determines whether the arrangement is or contains a lease at inception and reassesses its determination if terms and conditions of the arrangement are changed. Right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Organization considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Organization will utilize their incremental borrowing rate.

The Organization leases office space at 50 Fremont Street under an operating lease that expires on June 1, 2032. Lease expense for minimum payments is recognized on a straight-line basis over the term of the lease.

The Organization recognizes assets and liabilities arising from leases with terms longer than 12 months on the consolidated statements of financial position. Leases are classified as either operating or financing, with classification affecting the pattern of expense recognition in the consolidated statement of activities.

Fixed assets, net – Fixed assets are carried at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from thirty years for buildings, five to ten years for furniture and equipment, and three to five years for computer, software, and media assets. Leasehold improvements are amortized using the straight-line method over the useful lives or remaining terms of the leases, whichever is shorter. The Organization capitalizes furniture and fixtures, computer software, media assets, and leasehold improvements with a cost or fair value, if donated, of \$5,000 or more. The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair value or discounted estimates of future cash flows. The Organization has not identified any such impairment losses to date.

Deferred revenue – Deferred revenue relates to membership dues, seminar and events revenues, grant and contract revenues, and fee revenues where cash has been received but services have not yet been performed or expenses incurred.

Income taxes – BASF and JDC are exempt from Federal income tax under Sections 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code and Sections 23701e and 23701d, respectively, of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under Internal Revenue Code sections 511 through 515. Therefore, no provision for income taxes has been provided in these consolidated financial statements. The Organization has no unrecognized tax benefits or uncertain tax positions as of December 31, 2025 or 2024.

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Notes to Consolidated Financial Statements

Revenue recognition –

- Contract and government grant revenues are recognized in accordance with Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU No. 2018-08)*. Contract and government grant revenues are considered to be a conditional contribution and the contribution is recognized as the performance obligation is satisfied or at the end of the service period. The performance obligation is met when services are performed and/or when expenses are incurred.
- Non-government grant revenues are recognized in accordance with ASU No. 2018-08.
- Contributions received as well as collectible unconditional promises to give are recognized in the period in which they are received and are reported as without donor restriction support unless they are received with donor restrictions that limit the use of the donated assets. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions. Net assets with donor restrictions are classified as net assets without donor restrictions when the donor restrictions are satisfied.
- Cy Pres awards, when received, are recognized as revenue on receipt in accordance with ASU No. 2018-08. These amounts represent an allocation of funds remaining after claims have been completed in class actions. The Court or the parties involved designate nonprofit organizations, such as JDC, as the recipient of these surplus funds. JDC received \$298,176 of CY Pres awards during the year ended December 31, 2025.
- The Cooperative Restraining Order Clinic operates with designated funds in JDC. Its revenues are comprised of grants, contributions, and Cy Pres awards, as described above for these revenue categories.

The Organization records certain revenue from contracts with customers in accordance with Accounting Standards Codification (ASC) Topic 606. Under ASC Topic 606, the Organization must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Organization satisfies a performance obligation.

Sources of revenue from contracts with customers that are in the scope of ASC Topic 606 include the following:

- Membership dues are recognized in the year to which they relate.
- Continuing education, events, conferences, and special events – The Organization earns event revenue from customers for services rendered as the contract transaction occurs. Event revenue is charged to customers as events are registered for and is recognized as the performance obligation is satisfied or at the end of the event period. The performance obligation is met when services are performed.
- Referral and other fees are recognized in the period in which the related services are provided. The majority of the Organization's referral and other fees are from client referrals and mediation services.

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- Advertising revenue is recognized when the publication carrying the advertisement is published.
- Royalties and other income are recognized on receipt or accrued according to contract. Royalties are received as a revenue share from vendors who provide member benefit programs to members of the Organization.

Allocation of functional expenses – Expenses which apply to more than one functional category have been allocated between program, management and general, and fundraising based on time spent on these functions by specific employees as estimated by senior management. The remaining costs are charged directly to the appropriate functional category.

Advertising expense – The cost of advertising is expensed as incurred. Advertising expense totaled approximately \$50,425 and \$47,000 for the years ended December 31, 2025 and 2024, respectively.

Concentration of credit risk – Financial instruments that are potentially subject to risk consist primarily of cash and cash equivalents, and investments. Receivables include amounts due from a limited number of federal, state, and county governments. Cash, cash equivalents, and investments consist primarily of balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity instruments in excess of Securities Investor Protection Corporation (SIPC) insurance limits.

Use of estimates – In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Note 3 – Pledges Receivable, net

Pledges receivable expected to be realized at December 31 were as follows:

	2025	2024
Pledges less than one year	\$ 95,400	\$ 33,394
Between one and five years	30,000	20,000
	125,400	53,394
Present value discount at effective rate of 4%	(265)	(265)
Allowance for uncollectible pledges	(35,462)	(35,462)
Total pledges receivable, net	<u>\$ 89,673</u>	<u>\$ 17,667</u>

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Notes to Consolidated Financial Statements

Note 4 – Investments and Fair Value Measurement

The following summarizes the composition of investments, at fair value, at December 31:

	2025	2024
Fixed income bond funds		
Domestic	\$ 5,269,684	\$ 3,682,478
International	752,916	791,044
Total fixed income bond funds	<u>6,022,600</u>	<u>4,473,522</u>
Equity securities		
International	3,320,915	2,364,689
Domestic	4,791,419	3,959,873
Commodities and real estate	1,712,592	1,240,502
Total equity securities	<u>9,824,926</u>	<u>7,565,064</u>
	<u>\$ 15,847,526</u>	<u>\$ 12,038,586</u>

Investment income, net of investment expenses, consisted of the following at December 31:

	2025	2024
Unrealized and realized gains	\$ 1,609,061	\$ 602,528
Dividends and interest	396,540	299,001
Investment advisor fees	(67,963)	(55,668)
Total investment income	<u>\$ 1,937,638</u>	<u>\$ 845,861</u>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Fixed income bond funds and equity securities are valued using quoted market price;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All Organization investments in the accompanying consolidated statements of financial position are measured at fair value on a recurring basis and classified as Level 1 pursuant to the valuation hierarchy.

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Notes to Consolidated Financial Statements

Note 5 – Fixed assets, net

Fixed assets, net, consisted of the following at December 31:

	2025	2024
Building and building improvements	\$ 1,712,068	\$ 1,712,068
Computer equipment and software	1,442,158	1,435,618
Media equipment and software	430,361	430,361
Furniture and fixtures	177,095	168,949
	<u>3,761,682</u>	<u>3,746,996</u>
Accumulated depreciation and amortization	<u>(2,473,618)</u>	<u>(2,349,875)</u>
Land	1,140,000	1,140,000
Work-in-progress	<u>42,635</u>	<u>63,351</u>
	<u><u>\$ 2,470,699</u></u>	<u><u>\$ 2,600,472</u></u>

Depreciation and amortization expense for the years ended December 31, 2025 and 2024, was \$123,742 and \$168,334, respectively.

Note 6 – Deferred Revenue

Deferred revenue consisted of the following as of December 31:

	2025	2024
Membership dues	\$ 1,036,596	\$ 972,666
Contract and grant revenues	719,593	186,688
Fee revenue	3,790	13,147
Seminar and event revenue	70,273	98,675
Other	<u>20,517</u>	<u>7,427</u>
	<u><u>\$ 1,850,769</u></u>	<u><u>\$ 1,278,603</u></u>

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Changes in deferred revenue were as follows for the years ended December 31:

	2025	2024
Deferred revenue, beginning of year	\$ 1,278,603	\$ 1,747,260
Membership dues received	1,858,324	1,865,051
Contract and grant revenues received	2,435,394	1,589,925
Fee revenues received	5,320	4,460
Seminar and event revenues received	711,640	2,070
Other revenues received	50,880	-
	<u>6,340,161</u>	<u>5,208,766</u>
Total deferred revenue		
Membership dues recognized	(1,794,394)	(1,743,392)
Contract and grant revenues recognized	(1,902,489)	(2,186,617)
Fee revenues recognized	(14,677)	-
Seminar and event revenues recognized	(740,042)	-
Other revenues recognized	(37,790)	(154)
	<u>(4,489,392)</u>	<u>(3,930,163)</u>
Total revenues recognized		
Deferred revenue, end of year	<u><u>\$ 1,850,769</u></u>	<u><u>\$ 1,278,603</u></u>

Note 7 – Lines of Credit

As of April 1, 2014, the Organization secured variable lines of credit from a financial institution up to \$2,449,970 and up to \$2,047,807, at December 31, 2025 and 2024, respectively. The lines of credit incur interest at 30-day LIBOR rate plus 2.5% (5.9011% and 7.1421% at December 31, 2025 and 2024, respectively). The lines of credit are reviewed annually and are due on demand. Under the terms of the lines of credit, they are secured by the investments held by the Organization. As of December 31, 2025 and 2024, the Organization had drawn \$652,894 and \$1,055,057, respectively, on these lines of credit. Interest expense totaled \$47,837 and \$80,572 for the years ended December 31, 2025 and 2024, respectively.

Note 8 – Note Payable

JDC obtained a commercial loan from a financial institution secured by property in the amount of \$1,144,000 at the annual rate of 3.95% on April 2, 2021, with a maturity date of April 2, 2036. Interest expense totaled \$35,756 and \$38,443 for the years ended December 31, 2025 and 2024, respectively. The outstanding principal balance as of December 31, 2025 and 2024, was \$856,997 and \$922,836, respectively.

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Notes to Consolidated Financial Statements

Maturities for the note payable are as follows:

<u>Year Ending December 31,</u>	
2026	\$ 68,525
2027	71,321
2028	74,150
2029	77,255
2030	80,406
Thereafter	<u>485,340</u>
	<u><u>\$ 856,997</u></u>

Covenants under the note payable agreement include, among other things, that JDC provide audited financial statements to the financial institution within 120 days after the close of each calendar year.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following at December 31:

	<u>2025</u>	<u>2024</u>
Legal Services	\$ 564,327	\$ 1,022,813
Immigration	357,968	613,883
Fundraising, Individual, and Organization Contribution	579,235	384,268
Cooperative Restraining Order Clinic	227,330	208,827
Diversity and Education	114,050	90,555
Other-Brosnahan Award Fund	41,250	45,000
Endowment	<u>1,464,031</u>	<u>1,302,007</u>
Total with donor restrictions net assets	<u><u>\$ 3,348,191</u></u>	<u><u>\$ 3,667,353</u></u>

All net assets with donor restrictions will be utilized for their intended purpose until exhausted; however, most net assets with donor restrictions are expected to be released from restriction by December 31, 2026, except for the donor restricted endowment that is held in perpetuity.

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Notes to Consolidated Financial Statements

Note 10 – Net Assets Released from Donor Restrictions

Net assets released from grants with donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended December 31, 2025 and 2024, were as follows:

	2025	2024
Legal Services	\$ 501,769	\$ 213,593
Diversity and Education	31,505	65,000
Immigration	339,039	56,454
Fundraising, Individual, and Organization Contribution	5,500	44,287
Cooperative Restraining Order Clinic	15,746	25,000
Other-Brosnahan Award Fund	3,750	5,000
Appropriation of Endowment	30,000	25,000
	<u> </u>	<u> </u>
Total with donor restrictions net assets	<u>\$ 927,309</u>	<u>\$ 434,334</u>

Note 11 – Endowment

The Organization's endowment consists of investments established to support the operations of the Organization. The endowment represents donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 in California (CPMIFA) for donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the corpus funds subjected to CPMIFA is classified as with donor restriction. The corpus represents the fair value of the original gift as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained in perpetuity.

As of December 31, 2025 and 2024, the corpus of net assets with donor restrictions endowment funds was \$1,200,000. The value of assets in excess of original gifts in donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure by the Organization.

In accordance with CPMIFA, 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; and
- (7) The investment policies of the Organization.

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Notes to Consolidated Financial Statements

The Organization is required to provide information about net assets that are defined as endowment, restricted in perpetuity by donors (net assets with donor restrictions). The changes in endowment net assets for the years ended December 31, 2025 and 2024, were as follows:

Donor restricted endowments as of December 31, 2023	\$ 1,236,610
Investment income, net	90,397
Appropriation of endowment assets for expenditure	<u>(25,000)</u>
Donor restricted endowments as of December 31, 2024	1,302,007
Investment income, net	192,024
Appropriation of endowment assets for expenditure	<u>(30,000)</u>
Donor restricted endowments as of December 31, 2025	<u><u>\$ 1,464,031</u></u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization has interpreted CPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2025 and 2024, there were no funds with deficiencies.

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization's operations that is partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization has adopted a strategy of holding a substantial majority of its endowment assets in mutual funds.

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Notes to Consolidated Financial Statements

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution each year no more than the amount stipulated by the funder for the annual Minority Law Scholarship, no less than \$10,000, subject to earnings on the endowment being sufficient to cover the scholarship. Over the long term, this is expected to provide support for a three-year Minority Law Scholarship while keeping the increase/(decrease) year-over-year minimal to help provide the predictable level of funding needed. The effect of this draw is to slowly increase the support of a three-year scholarship when the endowment is growing and to postpone the award if the endowment value falls. Excessive market loss can also impact the value of the endowment, in which case granting awards through the endowment will be further postponed until the market value of the endowment recovers, or the endowment is otherwise liquidated as directed by the donor or his estate. 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 return.

Note 12 – Commitments and Contingencies

Leases – BASF has an eight-year operating lease for a new office space that commenced June 1, 2024, which will expire on June 1, 2032.

Total rent expense for the Organization for the years ended December 31, 2025 and 2024, was \$1,075,139 and \$966,635, respectively, and includes building lease operating expense.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2026	\$ 896,061
2027	922,943
2028	950,632
2029	979,150
2030	1,127,632
Thereafter	<u>1,954,084</u>
Total lease payments	6,830,502
Less present value discount	<u>(875,406)</u>
Operating lease liability	<u><u>\$ 5,955,096</u></u>

Supplemental cash flow and other information related to leases was as follows:

<u>Lease Term and Discount Rate</u>	<u>2025</u>	<u>2024</u>
Remaining lease term	6.4 years	7.4 years
Discount rate	3.95%	3.95%

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Notes to Consolidated Financial Statements

Federal grants – JDC has received federal grants for specific purposes that are subject to review and audit by the federal government. Although such audits could result in expenditure disallowances under grant terms, in the opinion of management, JDC has complied with all the conditions of its grants and contracts for services and any potential liability arising from any such audit may result in JDC having to return grant funds to the federal funding agency.

Note 13 – Profit Sharing Plan

The Organization maintains a defined contribution profit sharing and 401(k) plan that covers all employees meeting certain age and service eligibility requirements. Profit sharing expense in 2025 and 2024, was \$290,551 and \$320,580, respectively.

Note 14 – Related-Party Transactions

BASF allocates a portion of both its general and administrative expense to its affiliate. The basis for these allocations is an estimate of time spent by BASF employees on JDC activities benefiting the affiliate. For purposes of the consolidated financial statements, the intercompany transactions are eliminated. Special events revenues relate to events from which most net proceeds are contributed to JDC.

Note 15 – Designated Net Assets

The Lawyer Referral and Information Services (LRIS) program operates with designated funds within BASF. LRIS is certified by the State Bar of California and governed by the rules for a certified lawyer referral service. Net assets in excess of annual operating expenses may only be used for specific purposes and therefore must be segregated from the general fund net assets of BASF.

Total designated net assets as of December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Total LRIS designated net assets	\$ 5,028,505	\$ 4,458,871
Total JDC designated net assets	<u>3,395,652</u>	<u>3,103,572</u>
Total designated net assets, end of year	<u>\$ 8,424,157</u>	<u>\$ 7,562,443</u>

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The LRIS designated net assets as of December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Revenues	\$ 3,351,166	\$ 3,265,626
Expenses	<u>(2,781,532)</u>	<u>(2,590,765)</u>
Excess of revenues over expenses	569,634	674,861
Designated net asset balance, beginning of year	<u>4,458,871</u>	<u>3,784,010</u>
Total LRIS designated net assets	<u><u>\$ 5,028,505</u></u>	<u><u>\$ 4,458,871</u></u>

The Cooperative Restraining Order Clinic (CROC) operates with designated funds. JDC provides Fiscal Sponsorship to CROC for a fee and it shares in JDC's legal and tax-exempt status. CROC is engaged in activities that align with JDC's mission. CROC is maintained as a separate fund, including a separate balance sheet and net assets, which are reserves arising from CROC's activities.

Cy Pres awards, once recognized as revenue, are considered board-designated net assets for the purposes of maintaining an operating reserve. The use of these funds is approved each year by the Board as part of the budget process. The Board approved \$0 of the designated net assets to be spent on general operating purposes for the years ending December 31, 2025 and 2024.

The JDC designated net assets as of December 31, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Revenues	\$ 1,095,875	\$ 1,458,470
Expenses	<u>(1,083,441)</u>	<u>(1,300,899)</u>
Excess of revenues over expenses	12,434	157,571
Designated net asset balance, beginning of year	<u>667,667</u>	<u>510,096</u>
Total CROC designated net assets, end of year	680,101	667,667
JDC Board designated net assets, at end of year	<u>2,715,551</u>	<u>2,435,905</u>
Total JDC designated net assets	<u><u>\$ 3,395,652</u></u>	<u><u>\$ 3,103,572</u></u>

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Notes to Consolidated Financial Statements

Note 16 – Liquidity and Availability

Financial assets available for nonprogram related general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position are comprised of the following:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 2,867,387	\$ 2,529,410
Restricted cash	85,116	67,846
Accounts receivable, net	1,319,047	1,444,666
Pledges receivables, net	89,673	17,667
Grants receivables	783,721	1,951,886
Investments	15,847,526	12,038,586
Financial assets, at end of year	<u>20,992,470</u>	<u>18,050,061</u>
Less those unavailable for nonprogram related general expenditure within one year, due to		
Restricted cash	(85,116)	(67,846)
Pledges receivables collectible beyond one year	(30,000)	(20,000)
LRIS designated net assets	(5,028,505)	(4,458,871)
CROC designated net assets	(680,101)	(667,667)
JDC Board designated net assets	(2,715,551)	(2,435,905)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	<u>(1,426,531)</u>	<u>(1,272,007)</u>
Financial assets available to meet cash needs for nonprogram related general expenditures within one year	<u><u>\$ 11,026,666</u></u>	<u><u>\$ 9,127,765</u></u>

The Organization's policy is to structure its financial assets to be available to cover the following in order of priority: current operations, capital assets, planned future operations, opportunities to enhance the Organization's mission, unanticipated expenses, and sudden shortfalls in revenues. Available to the Organization are their lines of credit as discussed in Note 7 above which may be utilized should the Organization face shortfalls in liquidity from operations.

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

The Organization has evaluated subsequent events through April 20, 2026, which is the date the consolidated financial statements are available to be issued.

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