LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

Nasif, Hicks, Harris & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS
104 West Anapamu Street, Suite B | Santa Barbara, CA 93101

William J. Nasif
Steven J. Hicks, Retired
Jeffery P. Harris
Jody Dolan Holehouse
Thomas W. Burk
Robert Swayne Lyons
Lawrence W. Brown
Sarah E. Turner
Thomas A. Olson
Joseph G. Bishop
Rachelle O. Barnier
Elena Mund
Mitchell P. Thomas

October 28, 2026

Independent Auditors' Report

Board of Directors
Legal Aid Foundation of Santa Barbara County, Inc.
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Legal Aid Foundation of Santa Barbara County, Inc., which comprise the statement of financial position as of June 30, 2026, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Legal Aid Foundation of Santa Barbara County, Inc. as June 30, 2026, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legal Aid Foundation of Santa Barbara County, 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.

Emphasis of Matter – June 30, 2025 Financial Statements Restated

As described in Note 15 to the financial statements, the June 30, 2025 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP 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 Aid Foundation of Santa Barbara County, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Foundation of Santa Barbara County, 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 Aid Foundation of Santa Barbara County, 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.

Report on Summarized Comparative Information

We have previously audited Legal Aid Foundation of Santa Barbara County, Inc.'s June 30, 2025 financial statements, and we expressed an unmodified audit opinion in our report dated October 29, 2025 on those statements. As described in Note 15, those financial statements have been restated to correct a misstatement, and they have not been separately reissued. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 is consistent, in all material respects, with the restated June 30, 2025 financial statements from which it has been derived.

Nasif, Hicks, Harris & Co. LLP

Nasif, Hicks, Harris & Co., LLP

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2026	2025 (As Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 792,236	$ 1,094,708
Restricted cash	881,670	614,486
Contracts and grants receivable	605,751	578,581
Prepaid expenses and other assets	192	3,207
Total current assets	2,279,849	2,290,982
Property and equipment, net	320,559	337,030
Security deposits	3,050	4,050
Operating lease right-of-use assets	53,564	88,423
TOTAL ASSETS	**$ 2,657,022**	**$ 2,720,485**
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 129,457	$ 249,007
Accrued vacation payable	111,546	112,155
Amounts held in trust	16,145	5,388
Grant advances	858,540	593,674
Deferred event sponsorships	-	7,500
Current portion of operating lease liabilities	35,971	34,104
Current portion of long-term debt	-	26,662
Total current liabilities	1,151,659	1,028,490
Operating lease liabilities, net of current portion	17,834	53,769
Long-term debt, net of current portion	-	52,757
Total liabilities	1,169,493	1,135,016
Net assets:		
Without donor restrictions	1,480,010	1,584,604
With donor restrictions	7,519	865
Total net assets	1,487,529	1,585,469
TOTAL LIABILITIES AND NET ASSETS	**$ 2,657,022**	**$ 2,720,485**

The accompanying notes are an integral part of these financial statements.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2025)

		Without Donor Restrictions	With Donor Restrictions	Total 2026	Total 2025 As Restated
Support and revenue:					
Donations		$ 135,562	$ -	$ 135,562	$ 135,082
Bequest		5,470	-	5,470	342,600
Contribution of settlement residual funds		-	-	-	166,964
Special event revenue	$ 71,869				
Less: direct costs of events	(37,095)				
Net revenue from special events		34,774	-	34,774	23,396
Government grants		2,058,851	-	2,058,851	1,860,412
Private grants		63,096	7,067	70,163	120,967
Grants from State Bar of California		1,058,356	-	1,058,356	917,699
Interest income		18,615	-	18,615	8,792
Contributed legal services		93,781	-	93,781	84,753
Other income		3,175	-	3,175	-
Total support and revenue		3,471,680	7,067	3,478,747	3,660,665
Net assets released from restrictions		413	(413)	-	-
Expenses:					
Program services		3,062,433	-	3,062,433	2,832,274
Support services:					
General and administrative		395,025	-	395,025	311,575
Fundraising		119,229	-	119,229	83,256
Total support services		514,254	-	514,254	394,831
Total expenses		3,576,687	-	3,576,687	3,227,105
Change in net assets		(104,594)	6,654	(97,940)	433,560
Net assets at beginning of year		1,584,604	865	1,585,469	1,151,909
NET ASSETS AT END OF YEAR		**$ 1,480,010**	**$ 7,519**	**$ 1,487,529**	**$ 1,585,469**

The accompanying notes are an integral part of these financial statements.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2026	2025 As Restated
Cash flows from operating activities:		
Change in net assets	$ (97,940)	$ 433,560
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	16,470	16,474
Amortization of operating lease right-of-use assets	34,859	35,302
Changes in operating assets and liabilities:		
Contracts and grants receivable	(27,170)	(295,609)
Prepaid expenses and other current assets	3,015	969
Security deposits	1,000	1,300
Accounts payable and accrued expenses	(119,550)	140,538
Accrued vacation payable	(609)	13,134
Amounts held in trust	10,757	(20,696)
Grant advances	264,866	263,371
Deferred event sponsorships	(7,500)	3,000
Operating lease liabilities	(34,068)	(34,701)
Net cash provided by operating activities	44,130	556,642
Cash flow from financing activities:		
Principal payments on long-term debt	(79,418)	(25,283)
Net cash used in financing activities	(79,418)	(25,283)
Net change in cash and cash equivalents	(35,288)	531,359
Cash, cash equivalents and restricted cash at beginning of year	1,709,194	1,177,835
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	**$ 1,673,906**	**$ 1,709,194**
Supplemental Data:		
Interest paid	$ 1,215	$ 4,964
Operating lease right-of-use assets obtained with operating lease liabilities	$ -	$ 59,237

The accompanying notes are an integral part of these financial statements.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2025)

	Program Services						
	Disability Advocacy	Family Violence & Elder Abuse Prevention	Housing	Consumer Protection	Courthouse Legal Resource Centers	Other Volunteer Activities	Total Program Services
Personnel expenses	$ 158,077	$ 385,694	$ 1,826,256	$ 87,240	$ 212,921	$ -	$ 2,670,188
Computer & office equipment	3,745	9,137	43,264	2,067	5,044	-	63,257
Office expenses	1,117	2,725	12,901	616	1,504	-	18,863
Postage & printing	135	330	1,563	75	182	-	2,285
Telecommunications	1,410	3,441	16,294	778	1,900	-	23,823
Technology	1,260	3,074	14,557	695	1,697	-	21,283
Training, travel & meetings	926	2,260	10,700	511	1,248	-	15,645
Library	1,318	3,216	15,225	727	1,775	-	22,261
Insurance	1,439	3,511	16,626	794	1,938	-	24,308
Dues, subscription & membership	559	1,365	6,462	309	753	-	9,448
Development	-	-	-	-	-	-	-
Bank charges	-	-	-	-	-	-	-
Staff appreciation	122	296	1,404	67	164	-	2,053
Audit & tax	-	-	-	-	-	-	-
Occupancy	3,616	8,824	41,780	1,996	4,871	-	61,087
Direct client costs	555	1,355	6,417	307	748	-	9,382
Subcontractor	-	10,346	-	-	-	-	10,346
Depreciation	854	2,083	9,865	471	1,150	-	14,423
In-kind legal services	36,225	1,880	4,380	34,321	-	16,975	93,781
TOTAL AT JUNE 30, 2026	**$ 211,358**	**$ 439,537**	**$ 2,027,694**	**$ 130,974**	**$ 235,895**	**$ 16,975**	**$ 3,062,433**
TOTAL AT JUNE30, 2025	**$ 173,213**	**$ 616,721**	**$ 1,649,964**	**$ 193,744**	**$ 198,632**	**$ -**	**$ 2,832,274**

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

LEGAL AID FOUNDATION OF SANTA BARBARA COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR JUNE 30, 2025)

	Support Services				
	General and Administrative	Fundraising	Total	Total 2026	Total 2025
Personnel expenses	$ 337,132	$ 105,350	$ 442,482	$ 3,112,670	$ 2,662,299
Computer & office equipment	7,224	1,755	8,979	72,236	63,134
Office expenses	2,154	523	2,677	21,540	16,181
Postage & printing	261	63	324	2,609	1,295
Telecommunications	2,721	661	3,382	27,205	33,503
Technology	2,431	591	3,022	24,305	34,688
Training, travel & meetings	1,787	434	2,221	17,866	12,448
Library	2,542	618	3,160	25,421	24,462
Insurance	2,776	675	3,451	27,759	20,906
Dues, subscription & membership	1,079	262	1,341	10,789	11,726
Development	-	6,145	6,145	6,145	10,156
Bank charges	2,120	-	2,120	2,120	834
Staff appreciation	234	57	291	2,344	752
Audit & tax	23,941	-	23,941	23,941	22,040
Occupancy	6,976	1,695	8,671	69,758	67,819
Direct client costs	-	-	-	9,382	13,273
Subcontractor	-	-	-	10,346	130,362
Depreciation	1,647	400	2,047	16,470	16,474
In-kind legal services	-	-	-	93,781	84,753
TOTAL AT JUNE 30, 2026	**$ 395,025**	**$ 119,229**	**$ 514,254**	**$ 3,576,687**	
TOTAL AT JUNE 30, 2025	**$ 311,575**	**$ 83,256**	**$ 394,831**		**$ 3,227,105**

The accompanying notes are an integral part of these financial statements.

Note 1: Organization and Purpose

Legal Aid Foundation of Santa Barbara County, Inc. ("LAF") is organized as a non-profit corporation to provide free legal advice, counsel and representation to low-income residents of Santa Barbara County. Services include the areas of senior services, family, housing, and consumer law. A significant portion of revenues comes from government grants.

Note 2: Summary of Significant Accounting Policies

Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results will differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method, generally over their useful lives as follows:

Building and improvements	5 to 31.5 years
Furniture and equipment	5 years

Leases

LAF determines if an arrangement is a lease at the commencement date and classifies each lease as either a finance lease or an operating lease.

LAF classifies a lease as a finance lease when the lease meets any of the following criteria:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Note 2: Summary of Significant Accounting Policies - continued

Leases - continued

3. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset (the last 25% of the economic life), this criterion should not be used.

4. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all (90% or more) of the fair value of the underlying asset.

5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

If none of these criteria are met, LAF classifies the lease as an operating lease.

The lease classification is reassessed only when: (a) the contract is modified and the modification is not accounted for as a separate contract, and (b) there is a change in the lease term or the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset.

Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liability, and operating lease liability, non-current, in LAF's statements of financial position. ROU assets represent LAF's right to use an underlying asset for the lease term and lease liabilities represent LAF's obligation to make lease payments arising from the lease.

Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As LAF's leases do not provide an implicit rate, LAF uses the federal risk-free rate available at commencement date in determining the present value of lease payments.

Donor Restricted Support

Contributions are reported as "without" donor restrictions, or if contributions are received with donor stipulations that limit the use of the donated assets they are reported as "with" donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, "with" restriction net assets are reclassified as "without" restriction net assets and reported in the statement of activities as net assets released from restrictions.

Note 2: Summary of Significant Accounting Policies - continued

Contributions In-Kind

Contributions in-kind consist of legal services provided by volunteer attorneys as well as less frequent donations of office supplies and assets. These contributions are recorded at their estimated fair value on a non-recurring basis at the time the services are performed or goods received.

Functional Expenses

The cost of providing LAF's programs have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they related to those functions.

Cash, Cash Equivalents and Restricted Cash

All highly liquid investments, with a maturity of three months or less when purchased, are considered to be cash equivalents.

Restricted cash consists of cash held in trust on behalf of clients' and cash designated as an operating reserve by the Board of Directors of LAF. The following table provides a reconciliation of cash, cash equivalents and restricted cash as of June 30,

	2026	2025
Cash and cash equivalents	$ 792,236	$ 1,094,708
Restricted Cash	881,670	614,486
Total Cash, Cash Equivalents and Restricted Cash	$ 1,673,906	$ 1,709,194

Contracts and Grants Receivable

Contracts and grants receivable are stated at unpaid balance, less an allowance for doubtful grants. LAF accounts for losses using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the ability of the client to meet their obligation. It is LAF's policy to charge off uncollectible receivables when management determines the receivable will not be collected. No allowances were recorded for the years ended June 30, 2026 and 2025.

Note 2: Summary of Significant Accounting Policies - continued

Revenue Recognition

LAF generates revenue primarily from the grants it receives from the State Bar of California, private foundations and government organizations. LAF evaluates each grant agreement to determine whether it is unconditional or conditional and whether it is restricted as to use.

Unconditional contributions and grants are recognized as revenue when awarded or received. Conditional contributions and grants which include a donor-imposed measurable barrier that must be overcome, together with a right of return of assets transferred or release from the obligation to transfer assets if the barrier is not met, are recognized as revenue when the barrier has been substantially met or explicitly waived by the donor. Amounts received before the related conditions are met are reported as a grant advance liability. For conditional grants under which entitlement arises as qualifying costs are incurred, revenue is recognized to the extent of the qualifying expenditures incurred.

Contributions and grants are reported as increases in net assets with or without donor restrictions depending on the existence or nature of any donor-imposed restrictions.

Note 3: Property and Equipment

Property and equipment consisted of the following at June 30,

	2026	2025
Land	$ 189,847	$ 189,847
Building	84,021	84,021
Improvements	242,305	242,305
Furniture, equipment and software	26,698	26,698
Total	542,871	542,871
Less: accumulated depreciation	(222,312)	(205,841)
Property and Equipment, Net	$ 320,559	$ 337,030

Depreciation and amortization expense for the years ended June 30, 2026 and 2025, was $16,470 and $16,474, respectively.

Note 4: Operating Leases

LAF leases office space for its Santa Maria and Lompoc offices.

The lease in Santa Maria began in June 2024 and ends June 30, 2027. Monthly minimum payments began at $1,650. On July 1, 2025 and thereafter, lease payments are subject to annual increase based on a consumer price index adjustment.

In April 2022, LAF relocated its Lompoc office to a new location in Lompoc with greater accessibility and improved amenities to better serve clients. This lease began May 1, 2022, and ended June 30, 2025. The first two months' payments of this lease were abated for necessary repairs to the property. Thereafter, lease payments ranged from $1,300 per month to $1,379 per month. The lease agreement include two options to extend the lease for three years, the first of which was exercised during the year ended June 30, 2025 and extended the lease to June 30, 2028. Lease payments range from $1,421 to $1,507.

LAF's leases do not contain any residual value guarantees or material restrictive covenants. Leases with a lease term of 12 months or less are not recorded on the balance sheet and lease expense is recognized on a straight-line basis over the lease term. LAF has no finance leases.

As of June 30, 2026, lease expense was approximately $2,900 per month. In addition, LAF is responsible for a percentage of the common area operating expenses.

Rent expense for the years ended June 30, 2026 and June 30, 2025 was $43,134 and $42,099 respectively.

Maturities of operating lease liabilities as of June 30, are as follows:

2027	$	37,358
2028		18,084
Thereafter		-
Total lease payments		55,442
Less: interest		(1,637)
Present value of lease liabilities		53,805
Less: current operating lease liabilities		(35,971)
Long-Term Operating Lease Liabilities	$	17,834

Note 4: Operating Leases - continued

At June 30, 2026, the weighted-average remaining lease term and the weighted-average discount rate for operating leases was 18 months and 4.09%, respectively.

Cash paid for amounts included in the measurement of operating liabilities was $36,847 during the year-ended June 30, 2026, and is included in net cash provided by operating activities in the statement of cash flows.

Note 5: Long-Term Debt

Long term debt consisted of the following at June 30,

	2026	2025
Mortgage payable to American Riviera Bank at a fixed interest rate of 5.25% dated October 18, 2022. For the first six months of the loan, interest only payments were due. Beginning on May 15, 2023, monthly payments were due of $2,521, including principal and interest. Principal and interest were to be fully paid off on April 15, 2028, based on the terms. The mortgage was secured by a deed of trust, which created a lien against LAF office property in Santa Barbara, California. During the year ended June 30, 2026, the loan was repaid in full prior to its maturity.	$ -	$ 79,419
Less: current portion	-	(26,662)
Long-Term Debt	$ -	$ 52,757

Note 6: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2026:

Subject to expenditure of specified purpose:		
Program services	$	7,519
Total	$	7,519

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor.

Note 7: Liquidity and Availability of Financial Assets

The following reflects LAF's financial assets as of June 30, 2026, reduced by amounts not available for general use because of contractual, internal or donor-imposed restrictions within one year of the statement of financial position date:

Cash, cash equivalents and restricted cash	$	1,673,906
Contracts and grants receivable		605,751
Financial assets at year-end		2,279,657
Amounts held in trust		(16,145)
Grant advances		(858,540)
Minimum lease payments		(36,847)
Contractual donor-imposed restrictions:		
Donor-imposed purpose		(7,519)
Board-designated reserve		(275,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$	1,085,606

As part of LAF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditure, liabilities, and other obligations come due.

Note 8: Retirement Plan

LAF sponsors a defined contribution retirement plan ("the SEP Plan") under Internal Revenue Code Section 408(k), which covers all employees, who are eligible to participate upon reaching 21 years of age and one year of service. Employer contributions are transferred into participants' individual retirement accounts or individual retirement annuities. Employer contributions to the SEP Plan for the years ended June 30, 2026 and 2025 were based on participant compensation and totaled $59,855 and $51,625, respectively.

LAF also sponsors a defined contribution retirement plan ("the 403(b) Plan") under Section 403(b) of the Internal Revenue Code. Eligible employees may make voluntary contributions to the 403(b) Plan up to the limits established by the Internal Revenue Service. LAF did not make any employer contributions to the 403(b) Plan during the years ended June 30, 2026 or 2025. All contributions are fully vested when made and are remitted to the plan custodian as soon as administratively feasible. LAF's responsibility with respect to the 403(b) Plan is limited to the timely remittance of employee contributions.

Note 9: Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, office expenses and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Note 10: Concentration

Grant Funding

Funding from programs administered by the Judicial Council of California (approximately 36% of total revenue) and grant and IOLTA programs administered through the State Bar of California (approximately 27% of total revenue) represents significant funding concentrations.

These funding programs have varying funding mechanisms, including interest earned on attorney trust accounts for IOLTA funding, court filing fees and legislative appropriations. Funding remains subject to the availability of program resources, grantor allocations and compliance with applicable conditions. A significant reduction in, or loss of, one or more of these funding sources could require LAF to reduce program services

Note 10: Concentration - continued

Credit Risk

Financial instruments which potentially subject LAF to concentrations of credit risk consist of cash and grants receivable. LAF places its cash with high credit quality financial institutions which may, at times, exceed federal insurance limits. LAF has not experienced any losses on such accounts. With respect to receivables, ongoing credit evaluations are performed and uncollectible amounts are written off as they become known.

Note 11: Contingencies

LAF receives contract revenue from government agencies. These contracts are subject to review and audit by the contracting agency. The potential exists for disallowance of program costs. The ultimate liability, if any, cannot be reasonably estimated thus there is no provision for the possible disallowance of program costs.

Note 12: Tax Status

LAF is generally exempt from income taxes, and gifts to LAF qualify for tax deductions under the Internal Revenue Code. LAF has favorable determination letters indicating it has qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Tax positions for the open tax years as of June 30, 2026 and 2025 were reviewed, and it was determined that no provision for uncertain tax positions is required.

Note 13: Bequest

During the year ended June 30, 2025, LAF received a bequest of $342,600 from the estate of a supporter. The estate's trustee held back a reserve of approximately $100,000 to pay final trust administration expenses and the estate's remaining obligations. LAF was one of several charitable beneficiaries named in the donor's estate. At June 30, 2025, the amount of any final distribution could not be reasonably estimated, so it was not recognized.

During the year ended June 30, 2026, the estate was settled. LAF received a final distribution of $5,470, which was its share of the reserve after expenses. In total, LAF received $348,070 from the estate. All the funds were unrestricted and are recorded as contribution revenue without donor restrictions in the accompanying statements of activities, in the year each amount was received. As of June 30, 2026, LAF has no further interest in the estate.

Note 14: Donation of Settlement Residual Funds

During the year ended June 30, 2025, LAF received $166,964 in residual funds from a legal settlement in which certain plaintiffs could not be located. LAF was designated by the court as a cy pres beneficiary because its mission aligns with the interests of the settlement class. LAF was not a party to the litigation. The funds were unrestricted and are recorded as contribution revenue without donor restrictions in the accompanying statement of activities.

Note 15: Restatement of Prior Period Financial Statements

During the year ended June 30, 2026, LAF determined that certain grants had been reported as donor-restricted contributions, with the related support recognized as an increase in net assets with donor restrictions in the period the grants were awarded. Upon further evaluation of the underlying grant agreements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") 958-605, *Not-for-Profit Entities - Revenue Recognition*, LAF concluded that these grants contain donor-imposed conditions, including one or more measurable barriers that must be overcome, together with a right of return of the assets transferred (or a right of release from the obligation to transfer assets) if those barriers are not met.

Under FASB ASC 958-605, a conditional contribution is accounted for as a refundable advance and is reported as a grant advance liability; it is not recognized as contribution revenue until the conditions on which it depends have been substantially met or explicitly waived by the donor. LAF's previous accounting recognized this support as revenue before the related conditions had been met. This constitutes the correction of an error in the previously issued financial statements.

The correction has been applied retrospectively. It removes contribution revenue previously recognized before the related conditions were met, records a grant advance liability for amounts received or receivable in advance of meeting the conditions, and recognizes contribution revenue in the period in which the related conditions were substantially met. The correction affects the timing of revenue recognition and the classification of amounts received; it does not change the total amount of support ultimately recognized over the life of the grants, and it had no effect on net cash provided by operating activities or on cash and restricted cash.

Note 15: Restatement of Prior Period Financial Statements - continued

The cumulative effect of the correction for all periods prior to the year ended June 30, 2025 has been reflected as an adjustment to net assets as of July 1, 2024. The financial statements for the year ended June 30, 2025, which are presented as summarized comparative information herein, have been restated. The prior period financial statements have not been separately reissued. The effect of the correction on each affected financial statement line item is summarized in the following tables.

Statement of Financial Position at June 30, 2025

	As Previously Reported	Effect of Correction	As Restated
Conditional grant advances	$ -	$ 593,674	$ 593,674
Total liabilities	$ 541,342	$ 593,674	$ 1,135,016
Net assets without donor restrictions	$ 1,584,604	$ -	$ 1,584,604
Net assets with donor restrictions	594,539	(593,674)	865
Total Net Assets	$ 2,179,143	$ (593,674)	$ 1,585,469

Statement of Activities and Changes in Net Assets - Year Ended June 30, 2025

	As Previously Reported	Effect of Correction	As Restated
Private grants	$ 68,943	$ 52,024	$ 120,967
Grants from State Bar of California	$ 1,259,144	$ (341,445)	$ 917,699
Government grants	$ 1,834,362	$ 26,050	$ 1,860,412
Net assets released from restrictions	$ (1,064,716)	$ 1,057,542	$ (7,174)
Change in net assets without donor restrictions	$ 433,560	$ 7,174	$ 440,734
Change in net assets with donor restrictions	263,371	(270,545)	(7174)
Total Change in Net Assets	$ 696,931	$ (263,371)	$ 433,560

Note 15: Restatement of Prior Period Financial Statements - continued

Effect on Net Assets by Class

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2024, as previously reported	$ 1,151,044	$ 331,168	$ 1,482,212
Cumulative effect of correction for periods prior to July 1, 2024	(7,174)	(323,129)	(330,303)
Net assets, July 1, 2024, as restated	1,143,870	8,039	1,151,909
Change in net assets for the year ended June 30, 2025, as restated	440,734	(7,174)	433,560
Net Assets, June 30, 2025, As Restated	$ 1,584,604	$ 865	$ 1,585,469

The restatement had no effect on net cash provided by operating activities, the net change in cash, or cash, cash equivalents and cash held in trust at the beginning or end of the year ended June 30, 2025. Within the operating activities section of the statement of cash flows, the change in net assets and the change in the grant advance liability were each restated by offsetting amounts, as follows:

Change in net assets	$ 696,931	$ (263,371)	$ 433,560
Change in grant advances	$ -	$ 263,371	$ 263,371
Net cash provided by operating activities	$ 556,642	$ -	$ 556,642

Note 16: Subsequent Events

In September 2026 LAF received a grant award of $201,401 from the Santa Barbara Foundation, upon the recommendation of a donor-advised fund. The award was designated for general operating support and was not subject to donor-imposed restrictions. As no unconditional commitment existed as of June 30, 2026, the award has not been recognized in the accompanying financial statements.

LAF has evaluated subsequent events through October 28, 2026, the date which the financial statements were available to be issued.