

Public Counsel

Financial Statements

August 31, 2025
(With Comparative Totals for 2024)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Counsel

Opinion

We have audited the accompanying financial statements of Public Counsel (the "Organization"), which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Counsel as of August 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Public Counsel and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Public Counsel'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, including omissions, 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 Public Counsel'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 Public Counsel'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 Public Counsel's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Los Angeles, California

March 10, 2026

Public Counsel
Statement of Financial Position
August 31, 2025
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Assets		
Cash and cash equivalents	\$ 5,539,391	\$ 3,110,807
Money market reserve funds	1,038,506	1,026,016
Investments	12,889,257	10,464,101
Grants and contributions receivable, net	1,471,389	3,458,931
Contracts receivable, net	1,160,396	1,575,800
Accrued attorney fees, net	2,060,409	2,313,761
Prepaid expenses	505,845	804,384
Investments - quasi-endowments	6,033,601	5,195,682
Property and equipment, net	4,755,198	4,962,041
Total assets	\$ 35,453,992	\$ 32,911,523
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,140,794	\$ 1,974,942
Deferred revenue	3,350,010	1,853,893
Total current liabilities	5,490,804	3,828,835
Net assets		
Without donor restrictions		
General	334,333	7,348,526
Board-designated for emergency reserves	8,421,846	1,000,000
Board-designated for operating reserves	2,071,561	2,071,561
Board-designated for quasi-endowments	6,624,445	5,782,182
Property and equipment, net	4,755,198	4,962,041
Total without donor restrictions	22,207,383	21,164,310
With donor restrictions		
Total net assets	7,755,805	7,918,378
Total net assets	29,963,188	29,082,688
Total liabilities and net assets	\$ 35,453,992	\$ 32,911,523

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

Public Counsel
Statement of Activities
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	Without Donor <u>Restrictions</u>	With Donor Restrictions	2025 <u>Total</u>	2024 <u>Total</u>
Revenues, gains and other support				
Various grants and other contributions	\$ 1,625,939	\$ 5,337,255	\$ 6,963,194	\$ 9,541,176
Program service fees	5,086,063	-	5,086,063	6,800,604
Proceeds from fundraising events, net	2,114,743	-	2,114,743	526,097
Attorney fees	566,051	-	566,051	1,119,243
Attorney fees - pro bono donation	864,601	-	864,601	1,500,000
Contributions - quasi-endowments	104,344	-	104,344	351,000
State bar legal services trust fund	-	4,677,812	4,677,812	2,401,038
Equal access fund	-	1,274,306	1,274,306	1,991,726
Cy pres awards	995,418	-	995,418	765,196
Miscellaneous	<u>129,892</u>	<u>-</u>	<u>129,892</u>	<u>47,040</u>
Total revenues, gains and other support	<u>11,487,051</u>	<u>11,289,373</u>	<u>22,776,424</u>	<u>25,043,120</u>
Net assets released from restriction	<u>11,451,946</u>	<u>(11,451,946)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>22,938,997</u>	<u>(162,573)</u>	<u>22,776,424</u>	<u>25,043,120</u>
Functional expenses				
Program services	<u>18,639,051</u>	<u>-</u>	<u>18,639,051</u>	<u>17,000,656</u>
Support services				
Management and general	3,051,970	-	3,051,970	2,748,048
Fundraising	<u>1,778,593</u>	<u>-</u>	<u>1,778,593</u>	<u>1,638,571</u>
Total support services	<u>4,830,563</u>	<u>-</u>	<u>4,830,563</u>	<u>4,386,619</u>
Total functional expenses	<u>23,469,614</u>	<u>-</u>	<u>23,469,614</u>	<u>21,387,275</u>
Change in net assets from operations	<u>(530,617)</u>	<u>(162,573)</u>	<u>(693,190)</u>	<u>3,655,845</u>
Other income				
Investment earnings, net	<u>1,573,690</u>	<u>-</u>	<u>1,573,690</u>	<u>2,045,042</u>
Total other income	<u>1,573,690</u>	<u>-</u>	<u>1,573,690</u>	<u>2,045,042</u>
Change in net assets	1,043,073	(162,573)	880,500	5,700,887
Net assets, beginning of year	<u>21,164,310</u>	<u>7,918,378</u>	<u>29,082,688</u>	<u>23,381,801</u>
Net assets, end of year	<u>\$ 22,207,383</u>	<u>\$ 7,755,805</u>	<u>\$ 29,963,188</u>	<u>\$ 29,082,688</u>

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

Public Counsel
Statement of Functional Expenses
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	Program Services	Management and General	Fundraising	2025 Total	2024 Total
Personnel expenses					
Salaries and wages	\$ 12,862,864	\$ 1,748,933	\$ 1,172,797	\$ 15,784,594	\$ 15,067,354
Employee benefits	1,842,894	250,574	168,032	2,261,500	2,166,282
Payroll taxes	<u>966,728</u>	<u>131,444</u>	<u>88,143</u>	<u>1,186,315</u>	<u>1,083,630</u>
Total personnel expenses	<u>15,672,486</u>	<u>2,130,951</u>	<u>1,428,972</u>	<u>19,232,409</u>	<u>18,317,266</u>
Operating expenses					
Bad debt	-	1,331	-	1,331	67,647
Board expenses	-	29,345	9,966	39,311	30,266
Continuing education	109,436	89,542	6,104	205,082	152,488
Cost of direct benefits to donors	-	-	437,768	437,768	373,853
Depreciation and amortization	168,557	22,918	15,368	206,843	245,741
Dues and library	61,401	23,465	351	85,217	66,302
Fees/services	1,303,795	243,422	208,210	1,755,427	1,038,171
Insurance	3,701	153,087	-	156,788	126,351
Miscellaneous	26,266	27,316	6,396	59,978	45,779
Occupancy	264,726	35,994	24,137	324,857	298,605
Office	690,656	93,908	62,973	847,537	381,814
Professional fees	51,058	47,376	-	98,434	180,016
Program litigation	84,319	-	-	84,319	72,899
Public relations	41,491	132,770	4,224	178,485	214,171
Recruitment	7,577	16,201	-	23,778	38,354
Scholarships	91,906	-	-	91,906	55,000
Travel	<u>61,676</u>	<u>4,344</u>	<u>11,892</u>	<u>77,912</u>	<u>56,405</u>
Total operating expenses	<u>2,966,565</u>	<u>921,019</u>	<u>787,389</u>	<u>4,674,973</u>	<u>3,443,862</u>
Total expenses	<u>18,639,051</u>	<u>3,051,970</u>	<u>2,216,361</u>	<u>23,907,382</u>	<u>21,761,128</u>
Cost of direct benefits to donors	<u>-</u>	<u>-</u>	<u>(437,768)</u>	<u>(437,768)</u>	<u>(373,853)</u>
	<u>\$ 18,639,051</u>	<u>\$ 3,051,970</u>	<u>\$ 1,778,593</u>	<u>\$ 23,469,614</u>	<u>\$ 21,387,275</u>

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

Public Counsel
Statement of Cash Flows
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 880,500	\$ 5,700,887
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	206,843	245,741
Realized gains	(334,086)	(133,261)
Unrealized gains	(624,973)	(1,315,562)
Changes in operating assets and liabilities		
Grants and contributions receivable, net	1,987,542	(117,722)
Contracts receivable	415,404	69,283
Accrued attorney fees receivable	253,352	(2,313,761)
Prepaid expenses	298,539	(589,952)
Accounts payable and accrued expenses	165,852	294,851
Deferred revenue	1,496,117	(993,257)
Rental assistance liability	<u>-</u>	<u>(899,526)</u>
Net cash provided by (used in) operating activities	<u>4,745,090</u>	<u>(52,279)</u>
Cash flows from investing activities		
Proceeds from sales of investments	8,292,003	6,966,492
Purchases of investments	(10,596,019)	(7,860,366)
Purchases of property and equipment	<u>-</u>	<u>(30,021)</u>
Net cash used in investing activities	<u>(2,304,016)</u>	<u>(923,895)</u>
Net increase (decrease) in cash and cash equivalents	2,441,074	(976,174)
Cash and cash equivalents, beginning of year	<u>4,136,823</u>	<u>5,112,997</u>
Cash and cash equivalents, end of year	<u>\$ 6,577,897</u>	<u>\$ 4,136,823</u>
Cash and cash equivalents consisted of the following:		
Cash and cash equivalents	\$ 5,539,391	\$ 3,110,807
Money market reserve funds	<u>1,038,506</u>	<u>1,026,016</u>
	<u>\$ 6,577,897</u>	<u>\$ 4,136,823</u>

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

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS

Public Counsel ("the Organization") is a nonprofit public interest law firm dedicated to advancing civil rights and racial and economic justice, as well as to amplifying the power of the Organization's clients through comprehensive legal advocacy. Founded on and strengthened by a pro bono legal service model, the Organization's staff and volunteers seek justice through direct legal services, promote healthy and resilient communities through education and outreach, and support community-led efforts to transform unjust systems through litigation and policy advocacy in and beyond Los Angeles.

Public Counsel's practice areas during this fiscal year were Child, Youth & Family Advocacy, Community Development, Consumer Rights & Economic Justice, Homelessness Prevention, Immigrants' Rights, Veterans' Advancement, Gender Justice, and our impact litigation project, Opportunity Under Law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The Organization's financial statements are prepared on the basis of accounting for not-for-profit organizations and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), with separate accounting according to the existence or absence of donor-imposed restrictions. Accordingly, balances and transactions are presented in the following classes of net assets:

- *Net assets without donor restrictions* - Includes contributions, fundraising, fees and other forms of revenue and expenditures without donor restrictions related to the general operations and fundraising efforts of the Organization. Also includes board-restricted reserves to be used for capital improvements, purchases and future operations.
- *Board-designated quasi-endowments* - Includes funds designated by the Board of Directors to be used for scholarships and operations (Note 7).
- *Investment in land and building* - Represents the investment in the land and building of its headquarters, net of accumulated depreciation.
- *Net assets with donor restrictions* - Includes grants and contributions received that are restricted with respect to use by the donor or grantor or time restricted to the extent they will be collected and expended in the future. When the restrictions expire, these net assets are reclassified to unrestricted net assets.

Income tax status

Public Counsel is a nonprofit public benefit corporation organized under the laws of California thus is exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents, except cash and money market balances included with investments. As of August 31, 2025, there was \$3,970,781 in cash, \$1,568,610 in cash equivalents, and \$1,038,506 in money market reserve funds.

Concentrations

The Organization's bank balances generally exceed the Federal Deposit Insurance Corporation ("FDIC") insured limits for one account. Therefore, the Organization has arranged with its bank to place its funds in cash sweep accounts, so that the bank balances are insured by the FDIC to a total of \$25,000,000. The Organization has not experienced and does not anticipate any losses related to these balances.

At August 31, 2025, five funders comprised approximately \$1,102,655 or 95% of the Organization's contracts receivable for the year and two donors comprised approximately \$800,000 or 54% of total grants and contributions receivable, net. At August 31, 2025, one vendor comprised \$518,261 or 24% of the Organization's accounts payable for the year.

Investments

Investments, managed by the Board of Directors' Investment Committee, are stated at fair value. Donated investments are recorded at fair value on the date donated. Unrealized gains and losses are recognized in the aggregate by investment. Realized gains and losses are computed and recognized using the first-in, first-out method. Money market balances held within brokerage accounts are included with investments in the statement of financial position.

Fair value measurements

- *Level 1* - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- *Level 3* - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The U.S. government obligations are valued by the custodians of the securities using information available from the custodian and are valued within Level 1 as the securities are short term and the fair value would not differ materially from the original market pricing.

The Organization uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of its investment in the California Community Foundation investment pool, which does not have a readily determinable fair value. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Grants and contributions receivable, net

Grants and contributions receivable, net consist of unconditional promises to give to the Organization. Management has established an allowance for potentially uncollectible grants and contributions based on its history of collections (see Note 4).

At August 31, 2025, contributions approximating \$299,250 have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met. The Organization has been awarded cost-reimbursable grants of approximately \$12,168,390 that have not been recognized as of August 31, 2025 because qualifying expenditures have not yet been incurred.

Contracts receivable, net

Contracts receivable are unsecured and the Organization is at-risk to the extent that such amounts become uncollectible. Management anticipates it will collect 100% of its contracts receivable balance; thus, no allowance for expected credit losses has been established in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 326, *Financial Instruments - Credit Losses*, ("FASB ASC 326").

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued attorney fees, net

Accrued attorney fees represent legal settlements awarded to the Organization for successful lawsuits that have not been received. Attorney fee revenue is recognized when it is estimable and probable, which is typically not until payment is received or all appeals processes have been exhausted.

Allowance for credit losses

The Organization provides legal services on a contract basis to partner organizations and to certain clients. Services to partner organizations are generally paid within 30-60 days of invoicing and historically credit losses have been minimal. The Organization provides free legal services at no cost to its clients. Public Counsel is entitled to seek attorneys fees from defendants when it prevails in certain matters. In such cases, Public Counsel is not entitled to attorney fees until the cases conclude and management has concluded that the judgments are collectible. As a result, management has concluded that there is no significant credit risk related to attorney fees arising from court judgments. Accordingly, the allowance for credit losses at August 31, 2025 and 2024 totaled \$0 and \$0, respectively. The beginning balance as of September 1, 2023 was also \$0 and there was no activity in the allowance account in either fiscal year.

Property and equipment, net

Purchases of property and equipment are stated at original cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line basis over the estimated useful lives.

Normal repairs and maintenance are expensed as incurred, whereas significant charges over \$5,000 which materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements - cost	Remaining lease term
Building improvements	10 - 15 years
Office equipment	5 years
Building	40 years

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year.

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Deferred revenue consists of conditional grants for which funds were received in advance as of August 31, 2025.

Revenue and expense recognition

Grants and contributions consist of donations from foundations, law firms and lawyers, corporations, businesses, individuals, and federal, state and local governments. Grants and contributions are generally recognized when pledged or paid to the Organization by the donor. Contributions are not recognized as revenue until all donor-imposed conditions have been substantially met.

Occasionally, the Organization receives program service fees in advance of performing the services. These amounts are recorded as deferred revenue on the statement of financial position. Revenue is recognized as performance obligations have been met, or when services have been performed.

Expenses are recorded when the Organization has incurred a commitment to the supplier of goods or services once such goods or services have actually been received. Under nonprofit accounting standards, there may not always be a matching of expenses and grant revenues, particularly in the case of multi-year pledges. In accordance with donors' restrictions, the Organization will expend future efforts (and corresponding expenses) that will not be reported in the same accounting period as the recognized revenues.

Proceeds from fundraising events are recognized when the related event occurs or when the organization obtains control of the contributions, provided the amount is measurable and collection is reasonably assured.

Attorney fee revenue is recognized at a point in time when control of the promised goods or services transfers to the customer, which typically occurs upon delivery or when the customer obtains the ability to direct the use of and receive substantially all of the remaining benefits from the goods or services.

Program service fee revenue is recognized over time when the Organization's performance creates or enhances an asset that the customer controls as it is created.

Cy pres awards

The Organization cannot control whether it receives cy pres awards or the amount of the awards. During the fiscal year ended August 31, 2025, the Organization received cy pres awards totaling \$995,418.

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services

Public Counsel delivers legal services to clients through an extensive network of volunteers and through its own staff. While the value provided to clients is significant, no amounts are included in the accompanying financial statements for the fair value of these legal services provided to clients of the Organization since the services provided by volunteers are directly provided to clients and the service provided by Public Counsel staff is recorded at cost.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated primarily using full-time equivalents as the allocation base.

Endowments

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amounts previously presented.

Subsequent events

The Organization has evaluated events subsequent to August 31, 2025, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 10, 2026, the date the financial statements were available to be issued. The following events required disclosure.

On November 7, 2025, the Organization extended its line of credit with City National Bank for \$950,000 (Note 6).

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events (continued)

On December 12, 2025, the Organization acquired substantially all of the assets, materials, name, branding and related intellectual property of the Cancer Justice program of the Disability Rights Legal Center, a not-for-profit entity. The initial accounting is incomplete through the date the financial statements were available to be issued, as management is still evaluating any potential fair value of the assets acquired. No consideration was provided in exchange for the acquisition of assets.

3. INVESTMENTS

The Organization reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2025:

	Level 1	Level 2	Level 3	Fair Value
United States treasuries	\$ 7,523,218	\$ -	\$ -	\$ 7,523,218
Mutual funds	4,282,520	-	-	4,282,520
	\$ 11,805,738	\$ -	\$ -	11,805,738
Investments measured at net asset value				7,117,120
				\$ 18,922,858

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

3. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2024:

	Level 1	Level 2	Level 3	Fair Value
United States treasuries	\$ 5,298,214	\$ -	\$ -	\$ 5,298,214
Mutual funds	3,844,028	-	-	3,844,028
	\$ 9,142,242	\$ -	\$ -	9,142,242
Investments measured at net asset value				6,517,541
				\$ 15,659,783

The following table lists investments measured at net asset value as of August 31, 2025:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
California Community Foundation	\$ 7,117,120	None	Daily	None

The following table lists investments measured at net asset value as of August 31, 2024:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
California Community Foundation	\$ 6,517,541	None	Daily	None

Public Counsel's Board of Directors has authorized an investment to be managed by the California Community Foundation ("CCF"), an IRC Section 501(c)(3) California mutual benefit corporation. Under an agreement with CCF, the investment principal and any accrued interest are payable to the Organization upon the request of the Executive Committee acting on behalf of the Board of Directors. The fair value of the investments managed by CCF has been determined using the net asset values reported on the valuation statements provided by the investment managers of CCF.

Public Counsel
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

3. INVESTMENTS (continued)

Activity in the investments in marketable securities during the year was as follows:

	2025	2024
Balance, beginning of year	\$ 15,659,783	\$ 13,317,086
Purchases of investments	10,596,019	7,860,366
Sales of investments	(8,292,003)	(6,966,492)
Realized gains	334,086	133,261
Unrealized gain	624,973	1,315,562
	\$ 18,922,858	\$ 15,659,783

Investments are included as follows on the statement of financial position:

	2025	2024
Investments	\$ 12,889,257	\$ 10,464,101
Investments - quasi-endowments	6,033,601	5,195,682
	\$ 18,922,858	\$ 15,659,783

Investment earnings (losses), net consisted of the following:

	2025	2024
Dividends and interest income	\$ 657,939	\$ 635,911
Realized gains	334,086	133,261
Unrealized gain	624,973	1,315,562
Investment fees	(43,308)	(39,692)
	\$ 1,573,690	\$ 2,045,042

4. GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Grants and contributions receivable, net consists of the following:

	2025	2024
Due in less than one year	\$ 946,389	\$ 3,068,931
Due in one to five years	575,000	450,000
	1,521,389	3,518,931
Allowance for potentially uncollectible contributions	(50,000)	(60,000)
	\$ 1,471,389	\$ 3,458,931

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4. GRANTS AND CONTRIBUTIONS RECEIVABLE, NET (continued)

The Organization does not discount long-term grants and contributions receivable, as management has determined the impact to be immaterial to the financial statements.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	2025	2024
Land	\$ 2,864,021	\$ 2,864,021
Building and building improvements	4,101,632	4,101,632
Office equipment	676,941	676,941
	7,642,594	7,642,594
Accumulated depreciation and amortization	(2,887,396)	(2,680,553)
	\$ 4,755,198	\$ 4,962,041

Total depreciation expense for the year ended August 31, 2025 was \$206,843.

6. LINE OF CREDIT

Public Counsel maintains a \$950,000 unsecured operating revolving line of credit with a bank through June 2025, at which time any outstanding principal and interest are due. In May 2025, the Organization extended through September 8, 2025. Interest is payable monthly at the bank's prime rate plus 1.25% (8.75% at August 31, 2025). There was no balance outstanding under this line as of August 31, 2025. In November 2025, Public Counsel received an extension on the revolving line of credit with the bank that now matures on October 27, 2026 (Note 2).

7. QUASI-ENDOWMENTS

The Organization's Board of Directors has designated a portion of its net assets without donor restrictions as quasi-endowments. The Board established campaigns for quasi-endowments for which the Organization is soliciting funds from donors with the understanding that the Board retains the authority to utilize the corpus if needed. Accordingly, these are considered quasi-endowments without donor restrictions on the contributions. At the end of fiscal year 2020, the 50th Anniversary Campaign for the Future quasi-endowment was initiated to generate investment earnings to help sustain the Organization for another 50 years. By the end of fiscal year 2025, the Campaign for the Future quasi-endowment grew to \$2,885,914. As the Board is prioritizing the accumulation of the corpus, the earnings are being reinvested.

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7. QUASI-ENDOWMENTS (continued)

Earnings from the Helen & Morgan Chu Prize Fund have been designated by the Board to be used for scholarships. Earnings from the Campaign for the Future, Irell & Manella Chair Fund, and Helen & Morgan Chu CEO Distinguished Chair Fund have not been designated to be used for any specified programs but are available to be used for operations. As the Board is prioritizing the accumulation of the corpus, the earnings of the Campaign for the Future, Irell & Manella Chair, and Helen & Morgan Chu CEO Distinguished Chair funds are being reinvested.

Quasi-endowments consist of the following:

	2025	2024
Helen & Morgan Chu Prize Fund	\$ 985,368	\$ 791,974
Irell & Manella Chair Fund	987,380	850,023
Campaign for the Future	3,199,881	2,885,570
Helen & Morgan Chu CEO Distinguished Chair Fund	1,451,816	1,254,615
	\$ 6,624,445	\$ 5,782,182

Return objectives and risk parameters

The Organization has adopted investment policies for some quasi-endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the quasi-endowment assets. Under this policy, as approved by the Executive Committee of the Board of Directors, the quasi-endowment assets are invested in a manner that is intended to assume a moderate to moderately high level of investment risk and to provide an annual rate of return of approximately 7%. Actual returns in any given year may vary from this amount. Pursuant to the Organization's investment policies, the Helen & Morgan Chu Prize Fund, the Irell & Manella Chair, and the Helen & Morgan Chu CEO Distinguished Chair funds are being invested in accordance with the donor's express investment preferences.

Spending policy and how investment objectives relate to spending policy

The Organization's current policy for all quasi-endowment funds, except the Helen & Morgan Chu Prize Fund, is to reinvest the earnings to allow the corpus to grow, therefore no distributions are being made. The investment policy for the quasi-endowment accounts was written contemplating a 4% distribution, and that no spending from any of these funds will occur until a spending policy is adopted. In establishing its policies, the Organization considers the long-term expected return on its quasi-endowments. Accordingly, over the long-term, the Organization expects the current spending policies to allow its quasi-endowments to grow at an annual rate equal to or greater than inflation. This is consistent with the Organization's objective to maintain the purchasing power of the quasi-endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

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7. QUASI-ENDOWMENTS (continued)

Quasi-endowment net asset composition

Quasi-endowment net asset composition by type of fund at year ended August 31, 2025 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment funds	\$ <u>6,624,445</u>	\$ <u>-</u>	\$ <u>6,624,445</u>

Quasi-endowment net asset composition by type of fund at year ended August 31, 2024 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment funds	\$ <u>5,782,182</u>	\$ <u>-</u>	\$ <u>5,782,182</u>

Changes in quasi-endowment net assets during the years 2024 and 2025 are as follows:

	<u>Without Donor Restrictions: Helen & Morgan Chu Prize Fund</u>	<u>Without Donor Restrictions: Irell & Manella Chair Fund</u>	<u>Without Donor Restrictions: Campaign for the Future</u>	<u>Without Donor Restrictions: Helen & Morgan Chu CEO Distinguished Chair Fund</u>	<u>Total</u>
Balance, August 31, 2023	\$ 579,624	\$ 686,340	\$ 2,209,425	\$ 992,314	\$ 4,467,703
Contributions	100,000	1,000	250,000	-	351,000
Net investment gains	<u>112,350</u>	<u>162,683</u>	<u>426,145</u>	<u>262,301</u>	<u>963,479</u>
Balance, August 31, 2024	791,974	850,023	2,885,570	1,254,615	5,782,182
Contributions	100,000	4,000	344	-	104,344
Net investment gains	<u>93,394</u>	<u>133,357</u>	<u>313,967</u>	<u>197,201</u>	<u>737,919</u>
Balance, August 31, 2025	<u>\$ 985,368</u>	<u>\$ 987,380</u>	<u>\$ 3,199,881</u>	<u>\$ 1,451,816</u>	<u>\$ 6,624,445</u>

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions during the year ended August 31, 2025 are as follows:

	Balance at September 1, 2024	Donor Restricted Revenue	Net Assets Released from Restriction	Balance at August 31, 2025
Community Development	\$ 2,531,110	\$ 1,730,814	\$ (2,396,481)	\$ 1,865,443
Consumer Rights & Economic Justice	1,970,326	1,403,460	(2,244,620)	1,129,166
Child, Youth & Family Advocacy	1,658,881	2,704,200	(2,344,190)	2,018,891
Center for Veterans' Advancement	-	324,540	(291,816)	32,724
Homelessness Prevention	29,470	639,332	(626,832)	41,970
Immigrants' Rights	172,034	904,670	(1,076,704)	-
Opportunity Under Law	-	970,073	(936,792)	33,281
Statewide Education Rights	188,744	-	-	188,744
Gender Justice	-	520,152	(480,304)	39,848
Pro Bono	267	58,479	(58,479)	267
Communication	20,603	-	(15,521)	5,082
Administration	189,582	287,026	(476,608)	-
Development	426,422	1,432,892	(24,768)	1,834,546
Fellowships/Scholarship Fund	342,108	-	(90,000)	252,108
	<u>7,529,547</u>	<u>10,975,638</u>	<u>(11,063,115)</u>	<u>7,442,070</u>
Time restricted	<u>388,831</u>	<u>313,735</u>	<u>(388,831)</u>	<u>313,735</u>
	<u>\$ 7,918,378</u>	<u>\$ 11,289,373</u>	<u>\$ (11,451,946)</u>	<u>\$ 7,755,805</u>

Grants and contributions receivable, net total \$1,471,389 (see Note 4) and, with the exception of \$313,735 that is unrestricted, the amounts have been grouped with the corresponding program service activities listed above in accordance with donors' purpose restrictions. In order for these restrictions to be released, there will be future efforts (and therefore expenses) that will not be reported in the same accounting period as the recognized revenues. As a result, Public Counsel anticipates it will incur program expenses in the years ending August 31, 2025 through 2026, for the related grant and contribution revenue which has been recognized during the year ended August 31, 2025. Donor-restricted net assets included in "Time restricted" consist of pledges receivable for which no purpose restriction exists.

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8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

For comparison, net assets with donor restrictions during the year ended August 31, 2024 were as follows:

	Balance at September 1, 2023	Donor Restricted Revenue	Net Assets Released from Restriction	Balance at August 31, 2024
Community Development	\$ 492,189	\$ 3,651,079	\$ (1,612,158)	\$ 2,531,110
Consumer Rights & Economic Justice	1,787,076	2,518,200	(2,334,950)	1,970,326
Child, Youth & Family Advocacy	1,146,248	2,908,172	(2,395,538)	1,658,882
Center for Veterans' Advancement	-	291,164	(291,164)	-
Homelessness Prevention	-	805,886	(776,416)	29,470
Immigrants' Rights	17,405	694,489	(539,860)	172,034
Opportunity Under Law	-	628,981	(628,981)	-
Statewide Education Rights	188,744	-	-	188,744
Gender Justice	345,009	131,388	(476,397)	-
Pro Bono	-	267	-	267
Communication	5,000	20,000	(4,397)	20,603
Administration	-	348,517	(158,936)	189,581
Development	326,422	100,000	-	426,422
Fellowships/Scholarship Fund	432,108	-	(90,000)	342,108
	<u>4,740,201</u>	<u>12,098,143</u>	<u>(9,308,797)</u>	<u>7,529,547</u>
Time restricted	<u>1,231,905</u>	<u>388,831</u>	<u>(1,231,905)</u>	<u>388,831</u>
	<u>\$ 5,972,106</u>	<u>\$ 12,486,974</u>	<u>\$ (10,540,702)</u>	<u>\$ 7,918,378</u>

9. RETIREMENT PLAN

The Organization has an IRC Section 403(b) plan (the "Plan") which covers all eligible employees. During 2025, employees' maximum voluntary contributions increased to \$23,000 (up to \$30,500 for individuals 50 or more years old) per year to the Plan and are fully vested in the employee contributions. The Plan also allows discretionary employer contributions. During the year ended August 31, 2025, the Organization made \$579,517 in discretionary employer contributions to the Plan.

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10. COMMITMENTS AND CONTINGENCIES

The expenditure of grants and contributions received by the Organization are governed by terms in grant agreements or by donor-imposed terms. The Organization is required to spend the funds in conformity with the terms in those agreements, to request modification of the terms where necessary, or to request extensions on any deadlines to comply with those terms. Some grant agreements require that grants or contributions not spent by the Organization in conformity with the terms of the grant or contribution, or with any agreed-upon modification or extension, be returned to the contributor. In addition, governmental entities might disallow costs submitted for reimbursement. No provision has been made for any liabilities that may arise from review by governmental funders since the amounts, if any, cannot be determined at this date.

Operating leases

The Organization leases various office equipment and office space for periods ranging through December 2028. Rent expense for the year ended August 31, 2025 and 2024 were \$82,677 and \$77,157, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending August 31,</u>	
2026	\$ 52,437
2027	24,121
2028	25,404
2029	<u>5,787</u>
	<u>\$ 107,749</u>

Management has not presented operating lease assets and liabilities as required under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, Leases, as the amounts are immaterial to the financial statements as presented.

Collective bargaining agreement

On May 16, 2019, the administrative and non-supervisory employees of the Organization voted to be represented by the American Federation of State, County and Municipal Employees (AFSCME). In April 2024, the Organization's second collective bargaining agreement was signed for a three-year term from October 1, 2023 to September 30, 2026, resulting in increases to salaries and other benefits for employees. Bargaining for the Organization's third collective bargaining agreement will begin in 2026.

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11. LIQUIDITY AND AVAILABILITY OF FUNDS

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions consist of the following as of August 31:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 5,539,391	\$ 3,110,807
Money market reserve funds	1,038,506	1,026,016
Investments	18,922,858	15,659,783
Grants and contributions receivable, net	1,471,389	3,458,931
Contracts receivable, net	1,160,396	1,575,800
Accrued attorney fees, net	2,060,409	2,313,761
	30,192,949	27,145,098
Board-designated for operating reserves	(2,071,561)	(2,071,561)
Board-designated for emergency reserves	(8,421,846)	(1,000,000)
Board-designated for quasi-endowments (Note 7)	(6,624,445)	(5,782,182)
Contributions and grants receivable due in one to five years (Note 4)	(575,000)	(450,000)
Net assets with donor restrictions less time restrictions (Note 8)	(7,442,070)	(7,529,547)
	\$ 5,058,027	\$ 10,311,808

Net assets with donor restrictions totaling \$7,442,070 are reserved for specific purposes and are not available for general expenditures within one year. The Organization's Board of Directors has segregated a portion of its net assets without donor restrictions into (1) a reserve fund to be used for capital improvements, purchases and future operations, (2) designated a portion for general operations and (3) designated a portion as quasi-endowments. These board designations could be drawn upon if the board approves that action. The Organization also maintains a \$950,000 unsecured operating revolving line of credit (see Note 6) of which there was no balance outstanding at August 31, 2025 and 2024.