

Bet Tzedek

dba Bet Tzedek Legal Services

Financial Statements
and Single Audit Reports and Schedules

August 31, 2025

(With Comparative Totals for 2024)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bet Tzedek
dba Bet Tzedek Legal Services

Opinion

We have audited the accompanying financial statements of Bet Tzedek dba Bet Tzedek Legal Services (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 Bet Tzedek dba Bet Tzedek Legal Services 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Bet Tzedek 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 Bet Tzedek'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 and *Government 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 and *Government 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 Bet Tzedek'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 Bet Tzedek'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Bet Tzedek dba Bet Tzedek Legal Services's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2024. 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.

Correction of an Error

As discussed in Note 3 to the financial statements, certain errors resulting in an understatement of amounts previously reported for contributions and grants receivable and private grant revenue as of August 31, 2024, were discovered by management of the Organization during the current year. Accordingly, amounts reported for contributions and grants receivable and private grant revenue have been restated in the 2024 financial statements now presented, and an adjustment has been made to net assets with donor restrictions as of August 31, 2024, to correct the error. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Los Angeles, California

April 24, 2026

Bet Tzedek
dba Bet Tzedek Legal Services
Statement of Financial Position
August 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>(Restated) 2024</u>
ASSETS		
Cash and cash equivalents	\$ 9,951,972	\$ 4,851,169
Investments	19,022,810	17,207,541
Contributions and grants receivable	4,799,925	4,459,726
Prepaid expenses and other assets	288,959	225,522
Property and equipment, net	20,345	34,705
Right-of-use lease assets	<u>4,150,538</u>	<u>4,649,889</u>
Total assets	<u>\$ 38,234,549</u>	<u>\$ 31,428,552</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,949,699	\$ 1,518,067
Right-of-use liabilities	4,425,858	4,883,006
Deferred revenue	<u>3,484,888</u>	<u>1,372,305</u>
Total liabilities	<u>9,860,445</u>	<u>7,773,378</u>
Net assets		
Without donor restrictions	19,515,543	14,567,071
With donor restrictions	<u>8,858,561</u>	<u>9,088,103</u>
Total net assets	<u>28,374,104</u>	<u>23,655,174</u>
Total liabilities and net assets	<u>\$ 38,234,549</u>	<u>\$ 31,428,552</u>

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

Bet Tzedek
dba Bet Tzedek Legal Services
Statement of Activities
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	(Restated) 2024 Total
Revenues, gains, and support				
Donated subscriptions and services	\$ 4,606,175	\$ -	\$ 4,606,175	\$ 4,859,667
Private grants	4,247,573	2,563,505	6,811,078	6,410,918
Federal funds	3,990,925	-	3,990,925	3,926,990
Non-federal government grants	5,786,154	1,254,876	7,041,030	5,738,132
Fundraising from special events, net of direct costs of \$440,291 and \$441,669, respectively	1,874,486	-	1,874,486	1,985,355
Cy Pres	2,075,493	-	2,075,493	1,370,432
General contributions	1,364,469	365,000	1,729,469	1,235,205
Miscellaneous	18,000	-	18,000	-
Investment income appropriated for operations	558,621	-	558,621	534,974
Legal fees	1,235	-	1,235	9,718
Net assets released from restriction	4,458,392	(4,458,392)	-	-
Total revenues, gains, and support	<u>28,981,523</u>	<u>(275,011)</u>	<u>28,706,512</u>	<u>26,071,391</u>
Functional expenses				
Program services	21,310,520	-	21,310,520	20,293,151
Management and general	2,867,544	-	2,867,544	2,379,631
Fundraising	1,254,584	-	1,254,584	881,751
Total functional expenses	<u>25,432,648</u>	<u>-</u>	<u>25,432,648</u>	<u>23,554,533</u>
Change in net assets from operations	<u>3,548,875</u>	<u>(275,011)</u>	<u>3,273,864</u>	<u>2,516,858</u>
Non-operating investing activity				
Non-operating investment activity	1,399,597	604,090	2,003,687	2,456,284
Investment income appropriated for operations	-	(558,621)	(558,621)	(534,974)
Total non-operating investing activity	<u>1,399,597</u>	<u>45,469</u>	<u>1,445,066</u>	<u>1,921,310</u>
Change in net assets	4,948,472	(229,542)	4,718,930	4,438,168
Net assets, beginning of year	<u>14,567,071</u>	<u>9,088,103</u>	<u>23,655,174</u>	<u>19,217,006</u>
Net assets, end of year	<u>\$ 19,515,543</u>	<u>\$ 8,858,561</u>	<u>\$ 28,374,104</u>	<u>\$ 23,655,174</u>

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

Bet Tzedek
dba Bet Tzedek Legal Services
Statement of Functional Expenses
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	Program Services					Support Services			2025	2024
	Elder Justice	Economic Justice	Housing and Homeowners	Children and Families	Total Program Services	Management and General	Fundraising	Total Support Services	Total	Total
Personnel expenses	\$ 3,700,356	\$ 2,633,506	\$ 3,434,441	\$ 2,993,823	\$ 12,762,126	\$ 1,983,187	\$ 803,480	\$ 2,786,667	\$ 15,548,793	\$ 14,126,549
Donated subscriptions and services	1,335,476	950,445	1,239,507	1,080,486	4,605,914	31	11	42	4,605,956	4,859,667
Staff training and education	14,227	10,125	13,205	11,511	49,068	5,135	2,853	7,988	57,056	42,925
Books and research materials	8,472	6,029	7,863	6,854	29,218	-	-	-	29,218	22,952
Depreciation and amortization	3,581	2,549	3,324	2,897	12,351	1,291	718	2,009	14,360	27,313
Insurance	31,068	22,111	28,835	25,136	107,150	11,212	6,230	17,442	124,592	123,243
Consulting fees	411,293	292,713	381,736	332,762	1,418,504	181,661	100,088	281,749	1,700,253	1,298,574
Litigation costs	16,570	11,793	15,379	13,407	57,149	-	-	-	57,149	33,163
Professional fees	40,485	28,813	37,576	32,755	139,629	14,614	203,408	218,022	357,651	219,774
Office expenses	337,966	240,527	313,679	273,436	1,165,608	97,215	95,801	193,016	1,358,624	994,102
Rent	170,171	121,109	157,942	137,679	586,901	61,420	34,122	95,542	682,443	662,361
Temporary help	67,896	48,321	63,017	54,932	234,166	497,605	-	497,605	731,771	1,034,887
Cost of direct benefit to donors	-	-	-	-	-	-	440,291	440,291	440,291	441,669
Travel	41,386	29,454	38,412	33,484	142,736	14,173	7,873	22,046	164,782	109,023
Total expenses	<u>6,178,947</u>	<u>4,397,495</u>	<u>5,734,916</u>	<u>4,999,162</u>	<u>21,310,520</u>	<u>2,867,544</u>	<u>1,694,875</u>	<u>4,562,419</u>	<u>25,872,939</u>	<u>23,996,202</u>
Less expenses included with revenues on the statement of activities										
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,291)</u>	<u>(440,291)</u>	<u>(440,291)</u>	<u>(441,669)</u>
Total functional expenses	<u>\$ 6,178,947</u>	<u>\$ 4,397,495</u>	<u>\$ 5,734,916</u>	<u>\$ 4,999,162</u>	<u>\$ 21,310,520</u>	<u>\$ 2,867,544</u>	<u>\$ 1,254,584</u>	<u>\$ 4,122,128</u>	<u>\$ 25,432,648</u>	<u>\$ 23,554,533</u>
Percentage of total	<u>24.3 %</u>	<u>17.3 %</u>	<u>22.5 %</u>	<u>19.7 %</u>	<u>83.8 %</u>	<u>11.3 %</u>	<u>4.9 %</u>	<u>16.2 %</u>	<u>100.0 %</u>	

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

Bet Tzedek
dba Bet Tzedek Legal Services
Statement of Cash Flows
For the Year Ended August 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>(Restated) 2024</u>
Cash flows from operating activities		
Change in net assets	\$ 4,718,930	\$ 4,438,168
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized and unrealized gains on investments	(1,103,708)	(1,852,653)
Depreciation and amortization	14,360	27,313
Reduction in carrying amount of right-of-use asset	499,351	483,829
Changes in operating assets and liabilities		
Contributions and grants receivable	(340,199)	(1,474,675)
Prepaid expenses and other assets	(63,437)	(137,847)
Accounts payable and accrued expenses	431,632	(138,949)
Deferred revenue	2,112,583	21,390
Operating lease liability	(457,148)	(423,564)
Net cash provided by operating activities	<u>5,812,364</u>	<u>943,012</u>
Cash flows from investing activities		
Purchase of investments	(711,561)	(484,600)
Net cash used in investing activities	<u>(711,561)</u>	<u>(484,600)</u>
Net increase in cash	5,100,803	458,412
Cash and cash equivalents, beginning of year	<u>4,851,169</u>	<u>4,392,757</u>
Cash and cash equivalents, end of year	<u>\$ 9,951,972</u>	<u>\$ 4,851,169</u>

Supplemental schedule of noncash investing and financing activities

Disposal of fully depreciated property and equipment	\$ 12,102	\$ -
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The accompanying notes are an integral part of these financial statements.

Bet Tzedek
dba Bet Tzedek Legal Services
Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS

For 50 years, Bet Tzedek has been dedicated to addressing the urgent legal services need of the most vulnerable people in our community. Staff provide a continuum of free legal services, including community education and outreach, direct representation, self-help guidance, policy advocacy, and impact litigation. These efforts are supported and amplified by the Organization enlisting thousands of volunteers every year that expand the reach and impact of Bet Tzedek's work in the community. Services are provided through four core program priorities:

- **JUSTICE FOR SENIORS & DEPENDENT ADULTS:** The need for senior-focused legal services has dramatically increased as L.A. County—like the rest of the nation—experiences an explosion of its senior population as Baby Boomers age and life expectancies continue to rise. At the same time, poverty rates among older individuals continue to rise, and seniors have the troubling distinction of being the fastest growing segment of the homeless population. Similarly, dependent adults and their caregivers face more complex needs. As dependent adult age expectancy increases, for example, caregivers require assistance making plans for their ongoing care and needs. As the region's only senior-focused legal aid organization, Bet Tzedek provides comprehensive elder law and dependent adult services to help these vulnerable segments of the population live in safety, security, and with dignity. Services include advocacy related to elder abuse prevention/intervention; scam protection, including an education and outreach effort delivered in collaboration with various community partners, including synagogues and other Jewish community partners; public benefits (MediCal, disability/SSI, housing, Veterans, InHome Supportive Services); housing stability; consumer debt; conservatorships; and caregiver legal needs. Bet Tzedek holds the distinction of being the only legal aid organization in the Southern California area with a dedicated advance planning and estate planning practice that includes the preparation of Advanced Health Care Directives, trusts, and other estate planning documents. In addition, Bet Tzedek is the only agency in California and one of only two agencies in the entire country with a unit focused on providing services to Holocaust survivors that include assistance with reparations, housing, elder law issues, and public benefits.
- **JUSTICE FOR TAXPAYERS, WORKERS, & SMALL BUSINESS OWNERS:** Bet Tzedek addresses three major problems commonly faced by individuals in the low-wage economy: wage theft, tax controversies, and the lack of entrepreneurial opportunity. Bet Tzedek helps low-wage workers fight for fair wages, safe working conditions, and equitable economic opportunities. Bet Tzedek operates the only Low-Income Tax Clinic in Los Angeles County designed to help low-income households reduce improper federal tax assessments and negotiate affordable resolutions to federal tax liabilities. Bet Tzedek also helps small business owners who have the building blocks for business success but may lack the knowledge to navigate often complex legal issues or the access to critical legal guidance by providing free transactional legal services on matters that range from contract drafting and incorporation to commercial real estate and intellectual property matters.

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

1. NATURE OF OPERATIONS (continued)

- **JUSTICE FOR TENANTS, HOMEOWNERS, AND UNHOUSED INDIVIDUALS:** Bet Tzedek advocates for families and individuals to have access to stable, habitable, and affordable housing. By educating them on their rights, connecting them to legal resources, and providing direct representation services, the Organization supports tenants and homeowners at risk of losing their homes and people who experience homelessness. Services include helping low-income individuals address the myriad legal issues which can lead to housing insecurity, including public benefit denials, immigration matters, and quality of life citations. Staff also assist those experiencing housing insecurity by representing low-income renters facing an eviction, as well as homeowners seeking to preserve their home ownership in the face of foreclosure, real estate fraud, and predatory lending and other unscrupulous consumer practices.
- **JUSTICE FOR CHILDREN & FAMILIES:** Bet Tzedek helps biological and chosen families remain intact. The Organization connects families with critical resources and provides legal support to create stability, resolve uncertain legal status, and help families access public benefits. Efforts currently focus on children living in out-of-home care with grandparents, aunts and uncles, and other care providers in what is often referred to as kinship care relationships. Services provided to kinship care families include assistance with probate guardianship and public benefits matters. In addition, services are provided to undocumented immigrant children in need of immigration assistance. Abused, abandoned, and neglected undocumented immigrant children are helped through guardianship and immigration proceedings to secure their legal permanent residency status. Services are also provided on behalf of transgender and gender nonconforming individuals who require assistance with legal name and gender marker change court proceedings, those facing housing and employment discrimination, and members of the transgender community denied access to critical health care services.

Bet Tzedek
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Notes to Financial Statements
August 31, 2025
(With Comparative Totals for 2024)

1. NATURE OF OPERATIONS (continued)

Bet Tzedek is nationally recognized for leveraging staff to recruit, train and supervise volunteers, including hundreds of pro bono lawyers, to increase the number of clients the Organization serves. Bet Tzedek clients benefit from two distinct volunteer groups. The first are community volunteers who perform intake interviews, factual and legal research, staff clinics, prepare paperwork, and assist with other client services, including up to 150 law students a year. In fiscal year 2025 and 2024, these volunteers donated thousands of hours of their time, the value of which is estimated to be \$4,154,089 and \$4,061,289 respectively is included in the donated subscriptions and services line item in the statement of activities (see Note 2 - "Donated subscriptions and services"). In addition to the value that in-house volunteers provide our communities, Bet Tzedek also places clients' cases with hundreds of pro bono attorney and paralegal volunteers at law firms and in-house legal departments nationwide. Cases range from direct representation matters to representation on federal amicus briefs. Pro bono attorneys also serve as co-counsel on class action lawsuits. These pro bono volunteer hours are reported to the Organization after the end of each year, and as a result the 2025 amounts will be disclosed in the financial statements for the fiscal year ending August 31, 2026. What is available is the total contribution made in calendar year 2024: 27,387 hours of service by 1,573 volunteers, with an estimated value of \$10,067,083. In the calendar year 2023: 30,976 hours of service by 1,275 volunteers, with an estimated value of \$10,492,324. Bet Tzedek's efforts in marshalling volunteers and pro bono lawyers in innovative and impactful ways have resulted in Bet Tzedek receiving the American Bar Association's "Pro Bono Publico Award" for its Holocaust Survivor Justice Network, a national network of pro bono attorneys and social workers representing survivors in their application for reparations in over 30 cities. Bet Tzedek has also received the Pro Bono Institute's 2020 Corporate Pro Bono "Pro Bono Partner Award" for its pro bono collaboration with the law firm of Davis Wright and Tremaine, Amazon and Kids in Need of Defense to serve undocumented immigrant children.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - (See Note 8): Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* - (See Note 9): Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with 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 reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Certain financial instruments held by the Organization potentially subject the Organization to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables and investments.

The Organization maintains its cash and cash equivalents accounts with high-credit, quality financial institutions; accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Cash and cash equivalents

The Organization considers cash on deposit and temporary investments with financial institutions with an original maturity of three months or less to be cash equivalents.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Contributions and grants receivable

The Organization records contributions and grants receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. The provision for allowances for uncollectible amounts is based on management's estimate of uncollectible accounts.

Management believes all contributions and grants receivable will be collected and an allowance for uncollectible accounts has not been established as of August 31, 2025 and August 31, 2024.

All contributions and grants receivable will be collected within one year.

Property and equipment

Property and equipment include the cost of the law library, furniture, equipment and leasehold improvements used in the operation of the Organization and related activities. Additions, improvements and renewals that materially extend the useful lives of the assets are capitalized if the cost of the asset is greater than or equal to \$5,000 and the useful life is greater than one year.

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

Computer equipment	3 - 5 years
Furniture and fixtures	3 - 5 years
Leasehold improvements	shorter of initial lease period or useful life of asset

When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts, and any profit or loss arising from such disposition is recorded as a gain or loss. Expenditures for repairs and maintenance are charged to expenses as incurred.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization leases properties under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets and lease liabilities on the consolidated statement of financial position. The Organization is not a party to any finance leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses its incremental borrowing rate based on information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term under program services and supporting services on the statements of activities.

A lease with an initial term of 12 months or less ("short-term leases") is generally not recorded on the statements of financial position, unless the arrangement includes an option to purchase the underlying asset, or renew the arrangement that the Organization is reasonably certain to exercise. The Organization recognizes short-term leases as lease expense when incurred. The Organization accounts for lease and non-lease components as a single lease component.

Grants and revenue recognition

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization recognizes government grant funds as contributions rather than exchange transactions when the recipients of services are members of the general public, rather than the government agency. Government grants frequently include a right of release and conditions. The Organization recognizes support revenues when any applicable conditions are met by the Organization and there is no longer a right of release. Conditions usually include expenditure of eligible costs. A receivable is recognized to the extent contract support earned exceeds cash advances. Conversely, a liability (deferred revenue) is recorded when contract cash advances exceed support earned. As of August 31, 2025, conditional contributions totaling \$5,184,442, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend has not yet been met (see Note 4). Of this amount, \$3,901,760 represent cost-reimbursable grant awards that have not been recognized as of August 31, 2025 because qualifying expenditures have not yet been incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and revenue recognition (continued)

Grants received with conditions and donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Contributions and pledges

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met by the Organization and there is no longer a right of return or release. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets or are designated for a future period.

Donated subscriptions and services

Donated subscriptions and services in the amount of \$4,606,175 is comprised of \$452,086 in donated subscriptions and \$4,154,089 in donated services (see Note 1) in the year ended August 31, 2025. In the year ended August 31, 2024, \$4,859,667 is comprised of \$798,378 in donated subscriptions and \$4,061,289 in donated services (see Note 1). Donated subscriptions are recorded at their fair value when an unconditional promise to give has been made or when subscriptions have been received. The value of the donation is based on appraisal and other objective bases for determining the value or, in certain instances, based on management's best estimate of the fair value. Donated services are comprised of in-kind support for contributed professional services of volunteer attorneys, paralegals and law clerks for services received from legal professionals based on the fiscal year.

Donated services represent an essential component of Bet Tzedek's service model and are recognized as matching funds by public grant makers if the services received (a) create or enhance long-lived assets, (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services are valued at rates normally charged by the volunteers for similar services. In fiscal year 2025 and 2024, Bet Tzedek received 27,387 and 30,976 hours respectively of donated services that were provided as part of case work overseen by Bet Tzedek attorneys, paralegals, and law students. These services are tracked and calculated on a monthly basis and reported as specific in-kind requirements for certain grants. Donated subscriptions and services are included as support and revenue and expensed for the same amount under donated subscriptions and services.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Legal fees

Legal fees represent court awarded or approved legal fees awarded to the Organization for successful lawsuits signed by the court during the year. Legal fees are recognized when they are estimable and probable, which is typically not until payment is received or all appeals have been exhausted.

Cy pres

Cy pres represents class action settlement awards approved by a court for distribution to Bet Tzedek when recovery for class members is impossible or impracticable, if class members are difficult to identify, or if unclaimed funds remain after all class members have received their portion of the settlement. Cy pres awards are recognized when the awards are received.

Functional allocation of expenses

The Organization allocated 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 functional expense classification. Expenses that are common to several functions are allocated based on monthly time charged to each program.

Income tax status

The Organization is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding sections of the California Revenue and Taxation Code.

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 April 24, 2026, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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3. CORRECTION OF AN ERROR

Management has determined that unconditional pledges made prior to August 31, 2024, were omitted from the financial statements and should be reflected in that period.

The following financial statement line items were affected by the restatement:

Account	As originally presented	Adjustment	Total
Pledges receivable	\$ 3,259,726	\$ 1,200,000	\$ 4,459,726
Net assets with donor restrictions	7,888,103	1,200,000	9,088,103
Total net assets	22,455,174	1,200,000	23,655,174
Private grants	5,410,918	1,000,000	6,410,918
General contributions	1,035,205	200,000	1,235,205
Change in net assets with donor restrictions	1,686,678	1,200,000	2,886,678
Total change in net assets	\$ 3,238,168	\$ 1,200,000	\$ 4,438,168

4. FAIR VALUE MEASUREMENT

Investments are measured at fair value and are classified and disclosed in one of the following categories based on inputs:

- *Level 1* - Quoted prices are available in active markets for identical instruments as of the reporting date. As the Organization's investments are comprised of investments in marketable securities with readily determinable fair values and debt securities, these would generally be classified as Level 1 inputs.
- *Level 2* - Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date but are other than quoted prices in active markets as in Level 1.
- *Level 3* - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

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4. FAIR VALUE MEASUREMENT (continued)

The majority of the Organization's investments consist of funds that have been restricted by donors or designated by the board of directors as endowment funds (see Note 10). The Organization's investments are managed as a single diversified portfolio governed by the Organization's investment policy, which sets asset allocation ranges for marketable and nonmarketable investments. All investments are currently in publicly traded mutual funds.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 10,458,920	\$ -	\$ -	\$ 10,458,920
Fixed income	<u>8,563,890</u>	<u>-</u>	<u>-</u>	<u>8,563,890</u>
	<u><u>\$ 19,022,810</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,022,810</u></u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equities	\$ 9,722,042	\$ -	\$ -	\$ 9,722,042
Fixed income	<u>7,485,499</u>	<u>-</u>	<u>-</u>	<u>7,485,499</u>
	<u><u>\$ 17,207,541</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,207,541</u></u>

5. CONDITIONAL GRANTS

The Organization is a recipient of a number of contracts and grants that have been determined to contain both a right of return or release and a specific performance barrier. While many of these arrangements contain barriers, such as provision of a required number of hours or units or service, the majority of these arrangements are also subject to cost reimbursement requirements.

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5. CONDITIONAL GRANTS (continued)

Funds promised and not yet received or recorded under conditional grants consist of the following:

	<u>2025</u>	<u>2024</u>
Federal grants subject to cost reimbursement arrangements	\$ 3,901,760	\$ 5,330,463
State grants	811,730	148,333
Non-federal government grants	<u>470,952</u>	<u>2,978,968</u>
	<u>\$ 5,184,442</u>	<u>\$ 8,457,764</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Computer equipment	\$ 84,002	\$ 96,103
Furniture and fixtures	233,213	233,213
Leasehold improvements	<u>50,787</u>	<u>50,787</u>
	368,002	380,103
Accumulated depreciation and amortization	<u>(347,657)</u>	<u>(345,398)</u>
	<u>\$ 20,345</u>	<u>\$ 34,705</u>

Depreciation and amortization expense for the years ended August 31, 2025 and August 31, 2024 was \$14,360 and \$27,313 , respectively.

7. LINE OF CREDIT

The Organization has a line of credit with a maximum loan commitment of \$1,000,000 and bears interest at the bank's prime rate (7.50% as of August 31, 2025) per annum. Borrowings on the line are secured by the Organization's business assets. The line of credit matures on April 30, 2026. As of August 31, 2025 and August 31, 2024, there was \$1,000,000 available on the line of credit.

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8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2025</u>	<u>2024</u>
Board-designated endowment	\$ 11,143,206	\$ 9,551,918
Undesignated	<u>8,372,337</u>	<u>5,015,153</u>
	<u>\$ 19,515,543</u>	<u>\$ 14,567,071</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Justice for Seniors & Dependent Adults	\$ 50,000	\$ 697,825
Justice for Taxpayers, Workers, & Small Business Owners	-	651,067
Justice for Tenants, Homeowners, & Unhoused Individuals	32,750	999,668
Justice for Children & Families	150,000	477,269
Holocaust	200,000	-
Wildfire Relief	1,126,347	-
Eviction defense	318,750	-
Trans rights	55,004	-
Equal Access	147,666	232,852
Adler Fellowships	208,041	54,234
Immigration	181,846	200,000
Other programs	<u>100,000</u>	<u>37,500</u>
	<u>2,570,404</u>	<u>3,350,415</u>
Time restricted:		
Earnings on donor-restricted endowments not yet appropriated for spending	474,596	429,127
Contributions and grants receivable	<u>655,000</u>	<u>150,000</u>
	<u>1,129,596</u>	<u>579,127</u>
Donor-restricted endowment funds:		
Donor corpus restricted in perpetuity	<u>5,158,561</u>	<u>5,158,561</u>
	<u>5,158,561</u>	<u>5,158,561</u>
	<u>\$ 8,858,561</u>	<u>\$ 9,088,103</u>

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9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year consisted of the following:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Justice for seniors & dependent adults	\$ 647,823	\$ 1,249,793
Justice for taxpayers, workers, & small business owners	651,067	840,421
Justice for tenants, homeowners, & unhoused individuals	966,918	1,036,155
Justice for children & families	327,269	1,571,029
Holocaust	400,000	-
Eviction defense	31,250	-
Adler fellowships	-	164,896
Trans rights	19,996	-
Equal Access	232,852	-
Fellow	201,069	-
Immigration	263,692	-
Wildfire relief	276,655	-
Other programs	129,801	520,602
Time-restricted	<u>310,000</u>	<u>-</u>
	<u>4,458,392</u>	<u>5,382,896</u>
 Endowment earnings	 <u>558,621</u>	 <u>534,974</u>
	<u><u>\$ 5,017,013</u></u>	<u><u>\$ 5,917,870</u></u>

10. DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS

The Organization's endowment funds consist of three separate funds, of which two funds are restricted by donors and one fund is designated by the board of directors. The endowment funds were established for a variety of purposes to benefit the Organization.

Interpretation of relevant law

The Organization's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains the original value of all gifts to the donor-restricted endowment plus unspent accumulated earnings in accordance with the applicable donor gift instrument.

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10. DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (continued)

Interpretation of relevant law (continued)

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

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

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's general policy is to diversify investments within both equity and fixed-income securities to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The Organization believes that a balanced approach to portfolio management is required to reduce volatility and prudently maximize total return for the long term. The Organization recognizes that economic and security market conditions are not constant but ever-changing and, as a result, continuous portfolio adjustments will be required.

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 programs 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 or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce total returns (net of inflation) in excess of the endowment spend-out rate, thus allowing for real growth of endowment assets while assuming a moderate level of investment risk.

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10. DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (continued)

Spending policy and how investment objectives relate to spending policy

The Organization has a policy to distribute 4.5% of the trailing three-year average of the endowment's total invested asset value each year, so long as the endowment corpus continues to exceed \$2 million. In establishing this policy, the Organization considered the long-term returns expected on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment asset held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Organization reinvests funds budgeted, but unused, from its operating appropriation into its board-designated endowment.

Funds

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2025.

Endowment net asset composition by type of fund as of August 31, 2025 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 11,143,206	\$ -	\$ 11,143,206
Endowments restricted by donors in perpetuity	-	5,158,561	5,158,561
Accumulated investment gains on donor- restricted endowments	<u>-</u>	<u>474,596</u>	<u>474,596</u>
	<u>\$ 11,143,206</u>	<u>\$ 5,633,157</u>	<u>\$ 16,776,363</u>

Endowment net asset composition by type of fund as of August 31, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 9,551,918	\$ -	\$ 9,551,918
Endowments restricted by donors in perpetuity	-	5,158,561	5,158,561
Accumulated investment gains on donor- restricted endowments	<u>-</u>	<u>429,127</u>	<u>429,127</u>
	<u>\$ 9,551,918</u>	<u>\$ 5,587,688</u>	<u>\$ 15,139,606</u>

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10. DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (continued)

Funds (continued)

Changes in endowment net assets for the fiscal year ended August 31, 2025 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, August 31, 2024	\$ 9,551,918	\$ 5,587,688	\$ 15,139,606
Net investment return			
Interest and dividends, net of fees	359,569	210,341	569,910
Realized and unrealized gains on investments	<u>673,098</u>	<u>393,749</u>	<u>1,066,847</u>
Appropriation of endowment assets for expenditure	-	(558,621)	(558,621)
Transfer to Board-designated endowment	<u>558,621</u>	<u>-</u>	<u>558,621</u>
Balance, August 31, 2025	<u>\$ 11,143,206</u>	<u>\$ 5,633,157</u>	<u>\$ 16,776,363</u>

Changes in endowment net assets for the fiscal year ended August 31, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, August 31, 2023	<u>\$ 7,670,344</u>	<u>\$ 4,357,639</u>	<u>\$ 12,027,983</u>
Interest and dividends, net of fees	235,573	133,833	369,406
Realized/unrealized appreciation on investments	<u>1,111,027</u>	<u>631,190</u>	<u>1,742,217</u>
Total investment return	1,346,600	765,023	2,111,623
Contributions	-	1,000,000	1,000,000
Appropriation of endowment net assets for expenditure	-	(534,974)	(534,974)
Transfer to endowment	<u>534,974</u>	<u>-</u>	<u>534,974</u>
	<u>1,881,574</u>	<u>1,230,049</u>	<u>3,111,623</u>
Balance, August 31, 2024	<u>\$ 9,551,918</u>	<u>\$ 5,587,688</u>	<u>\$ 15,139,606</u>

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11. RETIREMENT BENEFITS

Employees of the Organization hired before January 1, 2006 are eligible to receive benefits under a multi-employer defined benefit pension plan. The plan is administered by the Jewish Federation Council of Greater Los Angeles ("the plan"). Contributions are determined in accordance with the provisions of the plan. Information with respect to the Organization's proportionate share of the excess, if any, of the actuarial computed value of vested benefits over the total of the pension plan's net assets is not available from the plan's administrator.

The Multiemployer Pension Plan Amendments Act of 1980 (the "Act") significantly increased the pension responsibilities of participating employers. Under the provisions of the Act, if the plan terminates or the Organization withdraws, the Organization could be subject to a substantial withdrawal liability. The Organization has no plans to withdraw from the plan as of August 31, 2025.

The risks to the Organization of participating in this multiemployer pension plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer must be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Details of the pension plan are as follows:

<u>Pension Fund Name</u>	<u>EIN/ Pension Plan #</u>	<u>Projection Zone Status</u>	<u>FIP/PP Status Pending/ Implemented</u>	<u>Contributions to Plan from the Organization During the Year Ended August 31, 2025</u>	<u>Surcharge on Contributions</u>	<u>Expiration of Collective Bargaining Agreement</u>
Basic Plan of the Jewish Federation Council of Greater Los Angeles	95-1643388/001	Green	N/A	\$ 420,431	No	December 31, 2025

The Organization's contributions to the plan during calendar year 2024 were less than 5% of the total contributions made. The contributions are made pursuant to a collective bargaining agreement ("CBA"). The CBA expiration is December 31, 2025.

A Form 5500 has been filed for the plan for the annual period ended December 31, 2024.

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11. RETIREMENT BENEFITS (continued)

A defined contribution plan is also offered to the employees.

Pension expense for the year ended August 31, 2025 and August 31, 2024 totaled \$873,124 and \$791,934, respectively. In 2025 of the total pension expense, \$420,431 in expense was incurred for the defined benefit plan, and \$452,693 was incurred for the defined contribution plan. In 2024 of the total pension expense, \$400,773 in expense was incurred for the defined benefit plan, and \$391,161 was incurred for the defined benefit contribution plan.

12. COMMITMENTS AND CONTINGENCIES

Operating lease

The Organization leases office space under an operating lease which includes periods of abated and discounted rents and escalating payments. Rent expense in the amount of \$682,443 was incurred during fiscal year 2025.

The right-of-use assets are detailed as follows:

	<u>2025</u>	<u>2024</u>
Right-of-use assets-operating	<u>\$ 4,150,538</u>	<u>\$ 4,649,889</u>

The right-of-use lease liabilities are detailed as follows:

	<u>2025</u>	<u>2024</u>
Lease liabilities, current portion		
Right-of-use liabilities-operating	\$ 475,753	\$ 457,148
Lease liabilities, net of current portion		
Right-of-use liabilities-operating	<u>3,950,105</u>	<u>4,425,858</u>
	<u>\$ 4,425,858</u>	<u>\$ 4,883,006</u>

Lease costs for the year consisted of the following:

	<u>2025</u>	<u>2024</u>
Operating lease costs		
Monthly scheduled rent	<u>\$ 682,443</u>	<u>\$ 662,361</u>

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12. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease (continued)

The weighted-average lease terms and discount rates are as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term - operating lease	7.17	8.18
Weighted-average discount rate - operating lease	3.53%	3.53 %

Future minimum lease payments under the operating lease are as follows:

Year ending August 31,

2026	\$ 638,763
2027	657,926
2028	677,664
2029	697,994
2030	718,933
Thereafter	<u>1,630,958</u>
	5,022,238
Less: imputed interest	<u>(596,380)</u>
	<u><u>\$ 4,425,858</u></u>

Litigation

The Organization, from time to time, is involved in certain legal matters which arise in the normal course of business. Management believes that any resolution of such matters will not have a material adverse effect on the Organization's financial position.

Government funding

Bet Tzedek receives funding from federal programs. One of these sources is unlikely to continue as it is special pandemic-related funding that was used to expand programs. Other non-Federal sources have committed additional funding to allow the programmatic activity to continue. The other significant federal programs have not been identified as under review by the Trump administration, but there is a risk that future funding may be reduced, restructured, or eliminated. Any such changes could impact the organization's ability to continue certain programs or services that rely on this funding. Management is monitoring these developments and will assess their impact as more information becomes available.

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13. LIQUIDITY AND AVAILABILITY

The Organization is significantly supported by contributions with donor restrictions. The Organization maintains sufficient resources to meet its responsibilities to its donors. The Organization's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Liquidity of financial assets as of August 31, 2025 is as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 9,951,972	\$ 4,851,169
Investments	19,022,810	17,207,541
Contributions and grants receivable	<u>4,799,925</u>	<u>4,459,726</u>
	33,774,707	26,518,436
Board-designated endowment (Note 10), less fiscal year 2025 appropriation of \$558,621 and 2024 appropriation of \$534,974	(11,143,206)	(9,551,918)
Net assets with donor restrictions (Note 9)	<u>(8,858,561)</u>	<u>(9,088,103)</u>
Net liquid assets available for operations	<u><u>\$ 13,772,940</u></u>	<u><u>\$ 7,878,415</u></u>

Additionally, as discussed in more detail in Note 7, the Organization maintains a \$1,000,000 line of credit, of which \$1,000,000 remained available on August 31, 2025.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bet Tzedek
dba Bet Tzedek Legal Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bet Tzedek dba Bet Tzedek Legal Services (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, and have issued our report thereon dated April 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Los Angeles, California

April 24, 2026



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors
Bet Tzedek
dba Bet Tzedek Legal Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bet Tzedek dba Bet Tzedek Legal Services (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2025. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended August 31, 2025, and have issued our report thereon dated April 24, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Los Angeles, California

April 24, 2026

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Contract Period	Contract Amount	Total Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>						
U.S. Department of Housing and Urban Development						
Community Development Block Grant Cluster						
Pass-through program from: City of Los Angeles, Economic and Workforce Development Department						
Los Angeles BusinessSource Centers (LABSC) Centralized Services; Legal Assistance to Small Businesses	14.218	C-146598	07/01/24-06/30/25	\$ 525,482	\$ 491,901	\$ 52,192
Los Angeles BusinessSource Centers (LABSC) Centralized Services; Legal Assistance to Small Businesses	14.218	C-203471	07/01/25-06/30/26	500,000	<u>69,963</u>	<u>40,094</u>
					<u>561,864</u>	<u>92,286</u>
Pass-through program from: Home Investment Partnerships Program						
Legal Aid Foundation of Los Angeles	14.239		4/1/25-6/30/25	924,663	136,514	-
Legal Aid Foundation of Los Angeles	14.239		7/1/25-1/31/26	524,200	<u>89,668</u>	<u>-</u>
					<u>226,182</u>	<u>-</u>
Total Community Development Block Grant Cluster					<u>788,046</u>	<u>92,286</u>
Eviction Protection Grant Program	14.537	EP-24-CA-003		2,130,378	<u>233,858</u>	<u>160,086</u>
					<u>233,858</u>	<u>160,086</u>
Total U.S. Department of Housing and Urban Development					<u>1,021,904</u>	<u>252,372</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Contract Period	Contract Amount	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Justice						
Crime Victim Assistance						
Pass-through program from: State of California						
Victim Legal Assistance (XL) Program	16.575	UV23021588	01/01/24-12/31/24	214,000	41,565	-
Unserved/Underserved Victim Advocacy and Outreach	16.575	XL23011588	01/01/24-12/31/24	196,906	65,281	-
Victim Legal Assistance (XL) Program	16.575	UV24042201	01/01/25-12/31/25	214,000	27,118	-
Unserved/Underserved Victim Advocacy and Outreach	16.575	XL24042201	01/01/25-12/31/25	196,906	<u>48,253</u>	<u>-</u>
Total U.S. Department of Justice					<u>182,217</u>	<u>-</u>
U.S. Department of Treasury						
Pass-through program from: Legal Aid Foundation of Los Angeles						
Emergency Rental Assistance Program	21.023	CA-22-019		1,099,285	<u>111,381</u>	<u>-</u>
					<u>111,381</u>	<u>-</u>
Pass-through program from: Internal Revenue Service						
		24-LITC 0609-				
Low Income Taxpayer Clinic (LITC)	21.008	02-01	01/01/24-12/31/24	100,000	30,000	-
Low Income Taxpayer Clinic (LITC)	21.008	25-LITC0609-03	01/01/25-12/31/25	100,000	<u>66,238</u>	<u>-</u>
					<u>96,238</u>	<u>-</u>
Total Pass-through program from: Internal Revenue Service					<u>207,619</u>	<u>-</u>
Coronavirus State and Local Fiscal Recovery Funds						
Pass-through program from: County of Los Angeles, Consumers and Business Affairs						
Leaving a Legacy Project	21.027	ARP-CA-24-003	10/30/23-12/31/26	1,394,000	737,596	-
Pass-through program from: County of Los Angeles, Department of Economic Opportunity						
COVID-19 Small Business Legal Aid Program	21.027	ARP-SBLEG-01	02/07/22-12/31/26	2,553,000	660,555	414,331

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Contract Period	Contract Amount	Total Expenditures	Passed Through to Subrecipients
Pass-through program from: Legal Aid Foundation of Los Angeles Eviction Defense Program	21.027	CA-22-019	7/1/24-6/30/26	1,099,285	123,798	-
Pass-through program from: State Bar of California Foreclosure Prevention and Homeowners Protection Capacity- Building Project	21.027	SLFRP3211	12/01/21-12/31/24	2,053,673	301,276	-
Total Coronavirus State and Local Fiscal Recovery Funds					1,823,225	414,331
Total U.S. Department of Treasury					2,030,844	414,331
U.S. Department of Health and Human Services						
Aging Cluster						
Pass-through program from: City of Los Angeles, Department of Aging						
Title III-B Legal Services	93.044	C-142914	07/01/22-6/30/2025	336,832	1	-
Senior Legal Services	93.044	C-142914	07/01/22-09/30/24	1,571,591	72,368	-
Title III B City Laws OTO	93.044	C-146841	07/01/24-06/30/25	1,500	1,500	-
OAA Title III-B Legal Services	93.044	C-146841	07/01/24-06/30/25	219,465	219,465	-
OAA Title III-B Legal Services	93.044	C-146841	07/01/2025-6/30/2026	237,877	76,083	-
					369,417	-
Pass-through program from: County of Los Angeles, Aging and Disabilities Department						
Traditional Legal Assistance Program - OAA Title III-B	93.044	TLAP 2324	07/01/24-06/30/25	309,000	109,658	-
Traditional Legal Assistance Program - OAA Title III-B	93.044	TLAP 2425	07/01/25-12/31/25	154,500	25,231	-
					134,889	-
Total Aging Cluster					504,306	-

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Contract Period	Contract Amount	Total Expenditures	Passed Through to Subrecipients
National Family Caregiver Support, Title III, Part E						
Pass-through program from: City of Los Angeles, Department of Aging						
Title III-E, Caregiver/Kinship Legal Services	93.052	C-142914	07/01/22-06/30/25	222,048	41,697	-
Older Adults Recovery and Resilience (OARR)	93.052	C-142914	07/01/22-06/30/25	31,588	9,625	-
OAA Title III-E, Caregiver/Kinship Legal Services	93.052	C-146841	07/01/24-06/30/25	184,795	121,350	-
OAA Title III-E, Caregiver/Kinship Legal Services	93.052	C-146841	7/1/25-6/30/26	190,505	6,392	-
Title III-E, OTO	93.052	C-146841	7/1/24-6/30/25	14,378	3,000	-
					<u>182,064</u>	<u>-</u>
Pass-through program from: County of Los Angeles						
Title III E County Laws	93.052	TLAP 2425	07/01/24-06/30/25	92,900	74,511	-
Title III E County Laws	93.052	TLAP 2425	07/01/25-12/31/25	39,650	11,829	-
					<u>86,340</u>	<u>-</u>
Total National Family Caregiver Support, Title III, Part E					<u>268,404</u>	<u>-</u>
Total U.S. Department of Health and Human Services					<u>772,710</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 4,007,675</u>	<u>\$ 506,617</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Bet Tzedek
dba Bet Tzedek Legal Services
Notes to Schedule of Expenditures of Federal Awards
August 31, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bet Tzedek dba Bet Tzedek Legal Services (the "Organization") and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. PASS-THROUGH AWARDS

Bet Tzedek receives federal awards from pass-through agencies. The total amount of such pass-through awards is included on the Schedule of Expenditures of Federal Awards.

4. INDIRECT COST RATE

The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. Some funding sources cap indirect cost rate reimbursements below this rate.

5. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 24, 2026, the date the Schedule was available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the Schedule.

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2025

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number: 2025-001

Criteria:	In accordance with ASC 958-605, Non-for-Profit Revenue Recognition, revenue from restricted grants and contributions must be recognized when the donor-imposed conditions or restrictions have been substantially met. Revenue should not be recognized solely upon the receipt of cash.
Condition:	The contribution revenue for the current year included amounts that were pledged in prior year and not appropriately recorded.
Cause:	This appears to have resulted from a misinterpretation of the pledge, and associated restrictions, provided by the donor, leading to the improper classification of the pledge. Turnover in Bet Tzedek's accounting team resulted in less capacity to review each donation for restrictions and conditions.
Effect or potential effect:	The statement of activities prepared by Bet Tzedek's management improperly included \$1,200,000 in restricted pledges from prior fiscal year, necessitating adjustment to the financial statements.
Recommendation:	Bet Tzedek management should enhance its review procedures to verify the conditions and restrictions for all donations. When information is unclear or there is uncertainty regarding the conditions or restrictions, management should contact the donor and obtain a clear written understanding.
View of responsible officials:	Management is working on a prompt corrective action plan to address improving our internal controls over the recognition of restricted contributions. The action plan will include the following: Management will develop a process of summarizing agreements: We will improve on the review of donor agreements and summaries from our development department. Further, in our periodic internal meetings, we will be intentional about confirming the donor's intent. We have implemented additional stages of review of donor communications both at the time of the transaction and retrospective review on a regular basis. Staff is in the process of obtaining additional training on revenue and donor restrictions. We've also added tracking tools to segregate and report on donor restricted net assets.

Bet Tzedek
dba Bet Tzedek Legal Services
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2025

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Bet Tzedek
dba Bet Tzedek Legal Services
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2025

Finding number: **2024-001**

Condition: The schedule of expenditures of federal awards prepared by Bet Tzedek's management included local awards that lacked federal funding, resulting in non-federal expenditures being included in the initial determination of major programs.

Recommendation: Bet Tzedek management should enhance its review procedures to verify the source of funding for all awards. When award information is unclear or there is uncertainty regarding the source of funding, management should contact the funder to confirm the source.

Status of findings: Remediated as of August 31, 2025.