

Reports of Independent Auditors
and Financial Statements

California Rural Legal Assistance, Inc.

December 31, 2025 and 2024

Table of Contents

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9

Report of Independent Auditors

The Board of Directors
California Rural Legal Assistance, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of California Rural Legal Assistance, Inc., which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of California Rural Legal Assistance, Inc., as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of California Rural Legal Assistance, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Rural Legal Assistance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Rural Legal Assistance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Rural Legal Assistance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

San Francisco, California

April 27, 2026

Financial Statements

California Rural Legal Assistance, Inc.
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,936,747	\$ 8,725,854
Client trust funds	100,910	187,744
Grants receivable	3,614,518	914,007
Other receivables	74,977	-
Pledges receivable, current portion	21,068	32,791
Investments	9,584,530	8,273,939
Prepaid expenses	424,228	367,538
	23,756,978	18,501,873
NONCURRENT ASSETS		
Property and equipment, net	8,138,436	5,440,763
Operating lease right-of-use assets	880,138	1,032,340
Deposits	47,101	38,591
	9,065,675	6,511,694
	\$ 32,822,653	\$ 25,013,567

See accompanying notes to financial statements.

California Rural Legal Assistance, Inc.
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 400,857	\$ 1,008,626
Notes payable, current portion	71,798	67,843
Accrued salaries	166,815	981
Accrued vacation	970,583	974,931
Other accrued liabilities	542,409	99,533
Client trust funds payable	100,910	187,744
Deferred rental income, current portion	5,442	17,240
Operating lease liabilities, current portion	308,465	373,411
Refundable advances	5,612,281	4,629,794
	8,179,560	7,360,103
NONCURRENT LIABILITIES		
Deferred rental income, net of current portion	11,441	11,645
Operating lease liabilities, net of current portion	348,411	406,328
Notes payable, net of current portion	658,262	730,060
	1,018,114	1,148,033
Total liabilities	9,197,674	8,508,136
NET ASSETS		
Without donor restrictions:		
Available for operations	8,492,807	6,099,202
Board-designated - Jose Padilla Fellowship Fund	510,271	508,310
Board-designated reserve	10,872,419	9,259,544
	19,875,497	15,867,056
With donor restrictions		
Subject to purpose restrictions		
Civil legal services	178,491	157,822
Jose Padilla Fellowship Fund	227,820	216,280
LSC Property	513,171	264,273
	919,482	638,375
Subject to time restrictions:		
Time restricted grants	2,830,000	-
	2,830,000	-
Total with donor restrictions	3,749,482	638,375
Total net assets	23,624,979	16,505,431
Total liabilities and net assets	\$ 32,822,653	\$ 25,013,567

See accompanying notes to financial statements.

California Rural Legal Assistance, Inc.
Statements of Activities
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE, AND OTHER INCOME						
Grant revenue	\$ 852,770	\$ 35,396,944	\$ 36,249,714	\$ 348,949	\$ 29,419,908	\$ 29,768,857
Contributions	345,647	31,721	377,368	270,361	122,001	392,362
In-kind contributions	1,694,712	-	1,694,712	1,605,607	-	1,605,607
Attorney's fees and cost recovery	3,150	147,087	150,237	-	283,704	283,704
Cy pres awards	1,320,759	-	1,320,759	1,704,267	-	1,704,267
Other revenue	124,355	-	124,355	143,954	-	143,954
Investment income, net	1,718,311	-	1,718,311	1,381,109	-	1,381,109
Net assets released from restrictions	32,464,645	(32,464,645)	-	30,630,057	(30,630,057)	-
Total support, revenue, and other income	38,524,349	3,111,107	41,635,456	36,084,304	(804,444)	35,279,860
FUNDRAISING EVENTS						
Revenues from special events	139,920	-	139,920	121,669	-	121,669
Less cost of direct benefits to attendees	(6,843)	-	(6,843)	(9,628)	-	(9,628)
Total fundraising events	133,077	-	133,077	112,041	-	112,041
Total support, revenue, and other income, and fundraising events	38,657,426	3,111,107	41,768,533	36,196,345	(804,444)	35,391,901
EXPENSES						
Program services	27,768,176	-	27,768,176	25,112,131	-	25,112,131
Management and general	5,199,667	-	5,199,667	6,875,794	-	6,875,794
Fundraising	1,681,142	-	1,681,142	956,145	-	956,145
Total expenses	34,648,985	-	34,648,985	32,944,070	-	32,944,070
CHANGES IN NET ASSETS	4,008,441	3,111,107	7,119,548	3,252,275	(804,444)	2,447,831
NET ASSETS, beginning of year	15,867,056	638,375	16,505,431	12,614,781	1,442,819	14,057,600
NET ASSETS, end of year	\$ 19,875,497	\$ 3,749,482	\$ 23,624,979	\$ 15,867,056	\$ 638,375	\$ 16,505,431

See accompanying notes to financial statements.

California Rural Legal Assistance, Inc.
Statements of Functional Expenses
Years Ended December 31, 2025 and 2024

	2025				2024			
	Program	Management			Program	Management		
	Services	and General	Fundraising	Total	Services	and General	Fundraising	Total
Salaries and wages	\$ 17,389,377	\$ 2,492,188	\$ 1,069,785	\$ 20,951,350	\$ 16,391,645	\$ 2,799,875	\$ 661,156	\$ 19,852,676
Payroll taxes and fringe benefits	4,884,172	841,857	300,806	6,026,835	3,739,643	1,592,675	143,435	5,475,753
Occupancy	730,204	606,503	42,014	1,378,721	503,579	469,326	13,053	985,958
Professional fees	486,518	331,191	121,113	938,822	307,267	576,173	25,715	909,155
Travel	213,364	94,465	14,759	322,588	232,336	105,110	33,627	371,073
Office supplies	175,834	47,785	3,003	226,622	203,746	121,912	10,909	336,567
Program expenses	431,328	11,940	865	444,133	521,850	31,870	15,049	568,769
Dues and subscriptions	161,548	299,949	9,026	470,523	145,326	231,063	10,376	386,765
Telecommunication	201,423	47,086	13,079	261,588	133,864	116,332	1,942	252,138
Subgrant	439,053	-	-	439,053	346,177	-	-	346,177
Conferences, conventions, and meetings	115,333	171,027	5,956	292,316	357,971	242,169	8,317	608,457
Depreciation expense	255,162	45,929	30,288	331,379	21,585	239,402	684	261,671
Other expenses	39,105	46,522	1,017	86,644	86,742	29,165	2,502	118,409
Printing and publications	302,033	12,765	18,154	332,952	279,201	17,394	13,322	309,917
Insurance	184,407	39,493	10,970	234,870	107,983	208,191	3,643	319,817
Meals and entertainment	43,325	39,266	7,262	89,853	55,365	12,524	3,697	71,586
Interest	-	36,046	-	36,046	92	47,310	-	47,402
Postage and delivery	34,920	3,061	3,520	41,501	37,120	4,599	2,155	43,874
Advertising	18,889	7,528	121	26,538	31,310	10,377	6,423	48,110
Finance charges	8,507	12,888	544	21,939	3,722	20,327	140	24,189
Donated professional services	1,653,674	12,178	28,860	1,694,712	1,605,607	-	-	1,605,607
	<u>\$ 27,768,176</u>	<u>\$ 5,199,667</u>	<u>\$ 1,681,142</u>	<u>\$ 34,648,985</u>	<u>\$ 25,112,131</u>	<u>\$ 6,875,794</u>	<u>\$ 956,145</u>	<u>\$ 32,944,070</u>

See accompanying notes to financial statements.

California Rural Legal Assistance, Inc.
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,119,548	\$ 2,447,831
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	331,379	261,671
Investment gains, net	(1,718,311)	(1,371,631)
Changes in operating assets and liabilities		
Grants receivable	(2,700,511)	432,713
Pledges receivable	11,723	(14,541)
Other receivables	(74,977)	39,027
Prepaid expenses and deposits	(65,200)	(83,158)
Operating lease right-of-use assets	(47,326)	250,897
Accounts payable	(607,769)	523,083
Accrued liabilities	604,362	(587,166)
Deferred rental income	(12,002)	(10,628)
Operating lease liabilities	76,665	(518,280)
Deferred revenue	982,487	(2,146,441)
Client trust funds payable	(86,834)	65,109
	<u>3,813,234</u>	<u>(711,514)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property and equipment	(3,029,052)	(2,829,697)
Proceeds from sale of investments	11,641,016	9,381,468
Purchase of investments	(11,233,296)	(9,796,384)
	<u>(2,621,332)</u>	<u>(3,244,613)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on notes payable	(67,843)	(70,163)
	<u>(67,843)</u>	<u>(70,163)</u>
CHANGES IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,124,059	(4,026,290)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>8,913,598</u>	<u>12,939,888</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 10,037,657</u>	<u>\$ 8,913,598</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	\$ 36,046	\$ 47,402
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	\$ 199,528	\$ -
RECONCILIATION OF TOTALS IN THE STATEMENTS OF CASH FLOWS TO RELATED CAPTIONS IN THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 9,936,747	\$ 8,725,854
Client trust funds	100,910	187,744
	<u>\$ 10,037,657</u>	<u>\$ 8,913,598</u>

See accompanying notes to financial statements.

California Rural Legal Assistance, Inc.

Notes to Financial Statements

Note 1 – Description of Operations and Summary of Significant Accounting Policies

Organization – California Rural Legal Assistance, Inc. (CRLA) is a private nonprofit law firm established in 1966 that provides free legal assistance to rural California’s low-income population.

CRLA’s staff includes attorneys, community workers, legal secretaries, and other support personnel located throughout California. The organization operates 12 full-service Rural Justice Centers, each with professional staff providing direct legal services. In addition, CRLA serves several other communities through seven satellite locations, which offer more limited on-site services while ensuring full access to CRLA’s programs and resources. CRLA also maintains an Oakland office that supports resource development functions.

Nonmanagement attorneys, community workers, and clerical employees are members of Legal Services Workers of Rural California (LSWRC), National Organization of Legal Services Workers (NOLSW), and United Auto Workers (UAW) Local 2320.

Basis of accounting – The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets – Net assets and changes therein are classified as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions also include funds designated by the board of directors for specific projects.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of CRLA and/or the passage of time and net assets to be held in perpetuity as directed by donors. At December 31, 2025 and 2024, CRLA has no net assets to be held in perpetuity as directed by donors.

Cash, cash equivalents, and restricted cash – For purposes of the statement of cash flows, CRLA considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of amounts held in trust for clients.

Concentration of credit risk – Financial instruments that potentially subject CRLA to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking and investing with creditworthy institutions. Such balances, at times, may be in excess of federally insured amounts (currently \$250,000 per depositor). If any of the financial institutions with whom CRLA does business were to be placed into receivership with the Federal Deposit Insurance Corporation (FDIC), CRLA may be unable to access the cash it has on deposit with such institutions. If CRLA was unable to access its cash and cash equivalents as needed, CRLA’s financial position and ability to operate its business could be adversely affected. CRLA has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

California Rural Legal Assistance, Inc. Notes to Financial Statements

Grants receivable – Grants receivable represent balances due from various foundations and governmental and nongovernmental agencies, and are stated at the amount management expects to collect from outstanding balances. Should it become necessary, management will provide for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts. Balances remaining after management has used reasonable collection efforts would be written off through a charge to bad debt expense. At December 31, 2025 and 2024, CRLA determined that the grants receivable were fully collectible.

Pledges receivable – CRLA recognizes all unconditional gifts and pledges in the period notified. Pledges receivable are reviewed for collectability and provisions for uncollectible amounts are established when needed. At December 31, 2025 and 2024, CRLA had outstanding pledges receivable in the amount of \$21,068 and \$32,791, respectively.

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

- Increases or decreases in net assets with donor restrictions if the terms of the gift or CRLA's interpretation of relevant state law requires they be added to the principal of a net asset with donor restrictions.
- Increases or decreases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income.
- Increases or decreases in net assets without donor restrictions in all other cases.

Leases – Transactions give rise to leases when CRLA receives substantially all of the economic benefits from, and has the ability to direct, the use of the specified property and equipment. CRLA primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets, current portion of operating lease liabilities, and operating lease liabilities, less current portions in the statements of financial position.

Operating lease right-of-use assets represent the right to use an underlying asset for the term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, CRLA uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended.

CRLA has agreements with lease and nonlease components, such as common area maintenance, and has elected to account for the lease and nonlease components as separate components. CRLA has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

California Rural Legal Assistance, Inc.

Notes to Financial Statements

Property and equipment – CRLA capitalizes property and equipment with a cost or fair value in excess of \$5,000. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years. CRLA regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair value or discounted estimates of future cash flows. CRLA has not identified any such impairment losses to date.

Property and equipment acquired with federal funds or Legal Services Corporation (LSC) funds are considered to be owned by CRLA while used in the program or in future authorized programs. However, funding sources have a reversionary interest in these assets, as well as the determination of the use of any proceeds from the sales of these assets.

Client trust funds – CRLA holds funds in trust for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts is included as both an asset and a liability of CRLA, because CRLA has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of CRLA.

In-kind contributions – CRLA records contributed professional services and materials at their estimated fair value on the date of receipt. Contributed services are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, or additions to property and equipment.

During the years ended December 31, 2025 and 2024, CRLA received donated professional services in the amount of \$1,694,712 and \$1,605,607, respectively.

Functional allocation of expenses – Functional expenses of CRLA include program and supporting expenses. Expenses directly attributable and identifiable to individual programs or supporting services are charged directly. CRLA allocates expenses that do not directly benefit an activity between program and supporting expenses based on estimates of the relative benefits to each. CRLA bases its estimates primarily on time spent by personnel on various activities. The management of CRLA reviews and adjusts the estimates at least annually.

Income tax status – CRLA is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC and similar code section of the California Revenue and Taxation Code, is subject to income tax.

Each year, management considers whether any material tax positions the CRLA has taken are more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions CRLA has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

California Rural Legal Assistance, Inc.

Notes to Financial Statements

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions 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 may differ from those estimates.

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

Revenue recognition – Revenue recognition for contribution and grant income is evaluated in accordance with ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*, and is accounted for as nonreciprocal transactions. Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restriction. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions. A receivable is recognized for revenue earned under the terms of the agreements in excess of cash advances. Conversely, refundable advances are recorded when advances exceed revenue earned.

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

Revenue recognition from attorney's fee awards is evaluated under FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, through the following five steps: (i) identification of the contract with a customer; (ii) identification of the performance obligation in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

CRLA enters into contracts with clients that are contingent upon the outcome of cases. The contract is rendered effective once the court awards the attorney fee revenue, and the collectability of the amount is assured. Services are often performed on behalf of the client prior to the existence of the contract, and in such cases, the revenue is recognized on a cumulative catch-up basis at the effective date of the contract. Performance obligations in the contracts consist of legal services provided to clients.

Note 2 – Liquidity and Availability of Financial Assets

CRLA's primary sources of revenue are revenue received from the State Bar of California, Legal Services Corporation (LSC), and from other third-party grants.

CRLA considers contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include program expenses, administrative and general expenses, and fundraising expenses that are expected to be paid in the subsequent year.

California Rural Legal Assistance, Inc.
Notes to Financial Statements

CRLA also receives contributions with donor restrictions to be used in accordance with the associated purpose and time restrictions.

In addition, CRLA has Board-designated reserve funds, which are set aside by the Board of Directors to ensure the financial stability of the organization. These funds are intended to assist in covering operations should the need arise, and while they are designated for a specific purpose, the Board has the discretion to use them to support general operations if necessary. The reserve fund is a strategic measure to safeguard the organization against unexpected financial challenges and to provide liquidity in times of operational need.

The table below presents financial assets available to fund general operating expenses within one year at December 31:

	<u>2025</u>	<u>2024</u>
Financial assets at December 31		
Cash and cash equivalents	\$ 9,936,747	\$ 8,725,854
Grants receivable	3,614,518	914,007
Other receivables	74,977	-
Pledge receivables, current portion	21,068	32,791
Investments	<u>9,584,530</u>	<u>8,273,939</u>
Total financial assets	<u>23,231,840</u>	<u>17,946,591</u>
Less amounts not available to be used within one year		
Donor-restricted net assets	3,749,482	638,375
Board-designated - Jose Padilla Fellowship Fund	510,271	508,310
Board-designated net assets	<u>10,872,419</u>	<u>9,259,544</u>
	<u>15,132,172</u>	<u>10,406,229</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 8,099,668</u></u>	<u><u>\$ 7,540,362</u></u>

Note 3 – Grants Receivable

Grants receivable as of December 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Receivable in one year or less	<u><u>\$ 3,614,518</u></u>	<u><u>\$ 914,007</u></u>

California Rural Legal Assistance, Inc.
Notes to Financial Statements

Note 4 – Property and Equipment, Net

At December 31, property and equipment, net, consisted of the following:

	2025		
	Non-LSC	LSC	Total
Building	\$ 5,228,466	\$ 549,899	\$ 5,778,365
Building improvements	1,128,882	645,265	1,774,147
Law library	-	391,111	391,111
Furniture and equipment	435,842	-	435,842
Office equipment	71,095	37,605	108,700
Construction in progress	1,391,623	329,121	1,720,744
Leasehold improvements	85,338	-	85,338
	<u>8,341,246</u>	<u>1,953,001</u>	<u>10,294,247</u>
Less accumulated depreciation and amortization	<u>(2,541,115)</u>	<u>(1,391,151)</u>	<u>(3,932,266)</u>
	5,800,131	561,850	6,361,981
Land	<u>1,609,715</u>	<u>166,740</u>	<u>1,776,455</u>
Total	<u>\$ 7,409,846</u>	<u>\$ 728,590</u>	<u>\$ 8,138,436</u>

	2024		
	Non-LSC	LSC	Total
Building	\$ 4,109,688	\$ 549,899	\$ 4,659,587
Building improvements	1,078,352	655,657	1,734,009
Law library	-	391,111	391,111
Furniture and equipment	387,581	-	387,581
Office equipment	93,713	14,987	108,700
Construction in progress	285,199	-	285,199
Leasehold improvements	107,508	-	107,508
	<u>6,062,041</u>	<u>1,611,654</u>	<u>7,673,695</u>
Less accumulated depreciation and amortization	<u>(2,276,223)</u>	<u>(1,347,381)</u>	<u>(3,623,604)</u>
	3,785,818	264,273	4,050,091
Land	<u>1,223,932</u>	<u>166,740</u>	<u>1,390,672</u>
Total	<u>\$ 5,009,750</u>	<u>\$ 431,013</u>	<u>\$ 5,440,763</u>

For the years ended December 31, 2025 and 2024, depreciation and amortization expense was \$331,379 and \$261,671, respectively.

Note 5 –Commitments and Contingencies

Construction commitments- As of December 31, 2025, CRLA had outstanding commitments related to the construction of building upgrades for office space. The total estimated costs of the projects are approximately \$4,400,000 of which \$1,720,744 has been incurred and capitalized as construction in progress as of the year end. As of December 31, 2024, CRLA had no significant outstanding commitments related to the construction. The construction on these projects is expected to be completed by the end of 2026. Management does not anticipate any material adverse impact on CRLA's financial position as a result of these commitments.

California Rural Legal Assistance, Inc.
Notes to Financial Statements

Line of Credit- On May 2, 2025, CRLA entered into a \$2,000,000 line of credit with a bank. For the year ended December 31, 2025, the line of credit was not used. The line of credit is secured by certain investment accounts, held as collateral, and is terminable by either party at any time, subject to the terms of the agreement. The line of credit is not subject to any financial or nonfinancial covenants.

Note 6 – Investments

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

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

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

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

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

The following summarizes the composition of investments, at fair value, at December 31, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
Investments				
Fixed-income securities	\$ 2,402,492	\$ 2,402,492	\$ -	\$ -
Equity funds				
U.S. equities	4,753,424	4,753,424	-	-
Global equities	2,428,614	1,983,587	445,027	-
Total investments	<u>\$ 9,584,530</u>	<u>\$ 9,139,503</u>	<u>\$ -</u>	<u>\$ -</u>
	2024			
	Total	Level 1	Level 2	Level 3
Investments				
Fixed-income securities	\$ 2,707,031	\$ 2,707,031	\$ -	\$ -
Equity funds				
U.S. equities	3,574,524	3,574,524	-	-
Global equities	1,992,384	1,992,384	-	-
Total investments	<u>\$ 8,273,939</u>	<u>\$ 8,273,939</u>	<u>\$ -</u>	<u>\$ -</u>

California Rural Legal Assistance, Inc.
Notes to Financial Statements

Note 7 – Notes Payable

Notes payable, net consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Note payable to a bank, secured by a deed of trust. Interest at 5.68% and monthly payments of \$9,285, including principal and interest, due March 2034.	\$ 730,060	\$ 797,903
	730,060	797,903
Less current portion	<u>(71,798)</u>	<u>(67,843)</u>
	<u>\$ 658,262</u>	<u>\$ 730,060</u>

Annual maturities of the notes payable are as follows:

Years Ending December 31,	
2026	\$ 71,798
2027	75,834
2028	80,414
2029	84,934
2030	89,847
Thereafter	<u>327,233</u>
	<u>\$ 730,060</u>

Note 8 – Refundable Advances

In accordance with the adoption of ASU No. 2018-08, CRLA is required to report refundable advances where there is both a barrier to entitlement and a right of return of the funds. Accordingly, \$5,612,281 and \$4,629,794 was recognized as refundable advances as of December 31, 2025 and 2024, respectively. These amounts are directly attributable to unspent grant funds received during the respective year.

Refundable advances as of December 31 were comprised of the following:

	<u>2025</u>	<u>2024</u>
LSC Migrant 23	\$ -	\$ 226,592
LSC Basic 24	-	42,536
LSC Migrant 24	-	652,459
LSC Basic 25	336,942	-
LSC Migrant 25	102,041	-
State of California grants	3,639,610	1,755,653
Other grants	<u>1,533,688</u>	<u>1,952,554</u>
	<u>\$ 5,612,281</u>	<u>\$ 4,629,794</u>

California Rural Legal Assistance, Inc.
Notes to Financial Statements

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 were restricted for the following:

	2025	2024
Subject to purpose restrictions		
Civil legal services	\$ 178,491	\$ 157,822
LSC - property	513,171	264,273
Fellowships	227,820	216,280
	919,482	638,375
Subject to time restrictions		
Time restricted grants	2,830,000	-
Total net assets with restrictions	\$ 3,749,482	\$ 638,375

For the years ended December 31, 2025 and 2024, net assets with donor restrictions were released from donor/grantor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors/grantors as follows:

	2025	2024
Civil legal services	\$ 32,460,238	\$ 30,588,903
LSC property	4,407	41,154
	\$ 32,464,645	\$ 30,630,057

Note 10 – Operating Leases

CRLA leases various office facilities under various noncancelable operating lease arrangements in Coachella, Delano, Fresno, Lamont, Modesto, San Luis Obispo, Santa Barbara, Santa Rosa, and Tulare, California, expiring through December 2029.

The maturity and future minimum commitments of total operating lease payments at December 31, 2025, are as follows:

Years Ending December 31,	
2026	\$ 323,431
2027	246,492
2028	138,295
2029	16,761
Total lease payments	724,979
Less present value discount	(68,103)
Operating lease liabilities	\$ 656,876

California Rural Legal Assistance, Inc. Notes to Financial Statements

Lease expenses are recorded on a straight-line basis over the life of the lease as included in occupancy expense in the statements of activities. For the years ended December 31, 2025 and 2024, office rent expense was \$707,878 and \$678,539, and equipment rent expense was \$64,854 and \$51,228, respectively.

The following table includes supplemental lease information as of and for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Lease term and discount rate		
Weighted-average remaining lease term (in years)	1.5	3.6
Weighted-average discount rate	3.10%	1.18%

Note 11 – Employee Benefit Plan

CRLA has a 401(k) defined contribution profit-sharing plan. Eligible employees who are at least age 18 and are not covered under a collective bargaining agreement may defer up to the lesser of 75% of their salary or the limit under the IRC. CRLA matches 100% of those employee deferrals, up to a maximum of \$2,760 based on their years of services and salaries. During 2019, CRLA amended the plan to match 4% of the compensation of all eligible employees, regardless of tenure. Employees eligible for the matching contributions vest immediately in the match. CRLA contributed \$805,198 and \$484,562 to the plan for the years ended December 31, 2025 and 2024, respectively.

Beginning with the plan year commencing January 1, 2025, CRLA adopted an additional employer contribution equal to 2% of eligible employees' compensation for employees who are employed on the final day of the plan year. This contribution is funded subsequent to the end of the plan year and is subject to a six-year graded vesting schedule.

Effective January 1, 2006, CRLA established an individually designated retirement plan under IRC 403(b) available to all highly compensated employees within the meaning of IRS 414(q). Eligible participants may contribute an amount equal to the amount of compensation reduced pursuant to the participant's election not to exceed the limit under IRC. CRLA is not required to make any contributions to this plan.

California Rural Legal Assistance, Inc.
Notes to Financial Statements

Note 12 – Private Attorney Involvement

CRLA is required by Legal Services Corporation (LSC) to devote at least 12.5% of LSC’s basic grant to promote private attorney involvement (PAI). CRLA’s PAI requirement and the related expenses during the years ended December 31, 2025 and 2024, are summarized below:

	2025	2024
Support		
LSC basic grant	\$ 6,483,119	\$ 6,310,053
LSC rate	12.50%	12.50%
	<u>\$ 810,390</u>	<u>\$ 788,757</u>
PAI required threshold		
Expenses		
Salaries and wages		
Lawyers	\$ 341,812	\$ 287,190
Clerical and others	170,771	253,395
Payroll tax/fringe benefits	147,129	178,013
Community workers	-	51,562
Space and occupancy	26,372	36,106
Telephone	4,979	7,813
Library	5,554	8,380
Insurance	4,155	6,192
Technology	7,247	9,400
Other expense	336	-
Program travel	3,162	-
Equipment rent and related	22	1,407
Language services for clients	13,277	-
Supplies and materials	1,159	-
Litigation costs	18,722	-
Indirect costs	158,620	-
	<u>903,317</u>	<u>839,458</u>
Total expenses		
	<u>\$ 92,927</u>	<u>\$ 50,701</u>
Total PAI expenses over the requirement threshold		

Note 13 – Risks and Uncertainties

At December 31, 2025, there were no significant outstanding legal actions or claims against CRLA. CRLA maintains various forms of insurance that its management believes are adequate to reduce the exposure to these risks to an acceptable level.

Federal grants and contracts – CRLA’s grant and contract funding is subject to various risks, including changes in government policy and potential executive orders issued by the current federal administration. These recent executive orders may result in modifications, delays, or cancellations of such grant and contract funding that could adversely impact CRLA’s ability to fulfill its commitments under existing grants and contracts.

California Rural Legal Assistance, Inc.

Notes to Financial Statements

CRLA has assessed these risks and believes that any potential impact from such executive orders is uncertain. The ultimate effect on CRLA's financial position and results of operations will depend on future governmental actions and the timing of their implementation. CRLA will continue to monitor developments related to these executive orders and will take appropriate actions as necessary.

Federal regulation changes – CRLA continues to evaluate new governmental policies and executive orders issued by the federal government and their impact on CRLA. CRLA continues to work to diversify funding sources.

Note 14 – Subsequent Events

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

In January 2026, CRLA's board approved the purchase of a building in Fresno, California for the purpose of use for programmatic, staffing, and fundraising benefits. The board agreed that \$925,000 would be drawn from the board reserve to fund the purchase. The board also approved a budget of \$500,000 to cover the costs of repairs and improvements to this facility and that these funds can also be drawn from the board reserve.

CRLA has evaluated subsequent events through April 27, 2026, which is the date the financial statements were available to be issued.

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