

Pacific Legal Foundation and Subsidiary

Consolidated Financial Statements
and Independent Auditor's Report

June 30, 2023 and 2022

Pacific Legal Foundation and Subsidiary

Consolidated Financial Statements
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Pacific Legal Foundation and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Pacific Legal Foundation and Subsidiary (collectively, "the Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) during June 30, 2023, and ASU 2020-07, *Not-for-Profit-Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities included on pages 31-34 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Vienna, Virginia
September 15, 2023

Pacific Legal Foundation and Subsidiary

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 4,301,308	\$ 1,639,679
Investments	74,068,139	64,969,907
Contributions and grants receivable	845,639	3,178,685
Prepaid expenses and deposits	399,007	374,262
Charitable remainder trusts receivable	2,872,777	3,426,262
Property and equipment, net	776,013	3,187,384
Right-of-use assets – operating leases	1,957,377	-
	<u>\$ 85,220,260</u>	<u>\$ 76,776,179</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,454,478	\$ 1,217,732
Liability to beneficiaries	3,437,469	3,641,959
Lease liabilities – operating leases	2,283,857	-
	<u>7,175,804</u>	<u>4,859,691</u>
Total liabilities		
Net Assets		
Without donor restrictions:		
Undesignated	5,457,708	6,342,106
Board-designated endowment fund	68,638,393	59,780,329
	<u>74,096,101</u>	<u>66,122,435</u>
Total without donor restrictions		
With donor restrictions	3,948,355	5,794,053
	<u>78,044,456</u>	<u>71,916,488</u>
Total net assets		
Total liabilities and net assets	<u>\$ 85,220,260</u>	<u>\$ 76,776,179</u>

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	\$ 20,586,859	\$ 1,184,931	\$ 21,771,790
Court-awarded attorney fees	1,128,139	-	1,128,139
In-kind contributions	8,900	-	8,900
Other income	32,006	-	32,006
Net assets released from restrictions	2,682,118	(2,682,118)	-
Total operating revenue and support	24,438,022	(1,497,187)	22,940,835
Expenses			
Program services:			
Legal activities	13,544,312	-	13,544,312
Public education	6,737,446	-	6,737,446
Total program services	20,281,758	-	20,281,758
Supporting services:			
Revenue development	2,039,190	-	2,039,190
General and administrative	3,095,361	-	3,095,361
Total supporting services	5,134,551	-	5,134,551
Total expenses	25,416,309	-	25,416,309
Change in Net Assets from Operations	(978,287)	(1,497,187)	(2,475,474)
Non-Operating Activities			
Investment return, net	7,449,128	123,009	7,572,137
Change in value of split-interest agreement	698,338	(471,520)	226,818
Gain on sale of property and equipment	804,487	-	804,487
Change in Net Assets	7,973,666	(1,845,698)	6,127,968
Net Assets, beginning of year	66,122,435	5,794,053	71,916,488
Net Assets, end of year	\$ 74,096,101	\$ 3,948,355	\$ 78,044,456

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	\$ 24,277,025	\$ 2,093,426	\$ 26,370,451
Court-awarded attorney fees	126,573	-	126,573
In-kind contributions	56,900	-	56,900
Other income	111,055	-	111,055
Net assets released from restrictions	950,691	(950,691)	-
Total operating revenue and support	25,522,244	1,142,735	26,664,979
Expenses			
Program services:			
Legal activities	11,777,726	-	11,777,726
Public education	4,894,489	-	4,894,489
Total program services	16,672,215	-	16,672,215
Supporting services:			
Revenue development	1,612,828	-	1,612,828
General and administrative	2,027,064	-	2,027,064
Total supporting services	3,639,892	-	3,639,892
Total expenses	20,312,107	-	20,312,107
Change in Net Assets from Operations	5,210,137	1,142,735	6,352,872
Non-Operating Activities			
Investment return, net	(8,526,923)	(312,641)	(8,839,564)
Change in value of split-interest agreement	(717,368)	(242,453)	(959,821)
Change in Net Assets	(4,034,154)	587,641	(3,446,513)
Net Assets, beginning of year	70,156,589	5,206,412	75,363,001
Net Assets, end of year	\$ 66,122,435	\$ 5,794,053	\$ 71,916,488

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	Legal Activities	Public Education	Total Program Services	Revenue Development	General and Administrative	Total Supporting Services	
Salaries	\$ 8,605,844	\$ 2,940,878	\$ 11,546,722	\$ 748,521	\$ 1,560,991	\$ 2,309,512	\$ 13,856,234
Employee benefits and insurance	1,821,090	307,294	2,128,384	248,557	444,567	693,124	2,821,508
Payroll taxes	624,271	123,755	748,026	96,034	131,276	227,310	975,336
Office expenses	218,417	567,592	786,009	647,551	378,340	1,025,891	1,811,900
Professional services	437,320	1,719,705	2,157,025	62,406	208,999	271,405	2,428,430
Rent	471,358	161,077	632,435	40,998	85,498	126,496	758,931
Travel	727,493	705,586	1,433,079	152,063	188,953	341,016	1,774,095
Depreciation and amortization	151,672	51,934	203,606	12,918	30,853	43,771	247,377
Library and research	168,240	5,552	173,792	-	1,300	1,300	175,092
Fees	153,198	97,480	250,678	7,035	29,481	36,516	287,194
Telephone	23,797	8,148	31,945	2,027	4,292	6,319	38,264
Utilities	8,347	2,858	11,205	711	1,505	2,216	13,421
Equipment rental	64,570	22,065	86,635	5,616	11,712	17,328	103,963
Insurance	66,304	22,703	89,007	5,649	11,957	17,606	106,613
Miscellaneous	2,391	819	3,210	9,104	5,637	14,741	17,951
Total Expenses	\$ 13,544,312	\$ 6,737,446	\$ 20,281,758	\$ 2,039,190	\$ 3,095,361	\$ 5,134,551	\$ 25,416,309

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Legal Activities	Public Education	Total Program Services	Revenue Development	General and Administrative	Total Supporting Services	
Salaries	\$ 7,760,757	\$ 2,572,032	\$ 10,332,789	\$ 648,398	\$ 705,725	\$ 1,354,123	\$ 11,686,912
Employee benefits and insurance	1,483,211	253,447	1,736,658	227,347	199,584	426,931	2,163,589
Payroll taxes	529,049	105,504	634,553	90,124	96,371	186,495	821,048
Office expenses	194,280	543,200	737,480	386,807	361,139	747,946	1,485,426
Professional services	255,915	873,449	1,129,364	74,645	161,141	235,786	1,365,150
Rent	311,360	103,189	414,549	26,014	28,314	54,328	468,877
Travel	599,150	288,491	887,641	69,864	193,036	262,900	1,150,541
Depreciation and amortization	146,611	48,589	195,200	12,249	13,332	25,581	220,781
Library and research	154,712	4,649	159,361	50	3,498	3,548	162,909
Fees	108,455	24,313	132,768	861	24,726	25,587	158,355
Telephone	29,914	9,914	39,828	2,499	2,720	5,219	45,047
Utilities	33,583	11,130	44,713	2,806	3,054	5,860	50,573
Equipment rental	61,842	20,496	82,338	5,167	5,624	10,791	93,129
Insurance	75,969	25,177	101,146	6,347	6,908	13,255	114,401
Bad debt	-	-	-	-	214,391	214,391	214,391
Miscellaneous	32,918	10,909	43,827	59,650	7,501	67,151	110,978
Total Expenses	\$ 11,777,726	\$ 4,894,489	\$ 16,672,215	\$ 1,612,828	\$ 2,027,064	\$ 3,639,892	\$ 20,312,107

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 6,127,968	\$ (3,446,513)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	247,377	220,781
(Gain) loss on sale of property and equipment	(804,487)	13,333
Donation of marketable securities	(954,366)	(997,880)
Net realized and unrealized (gain) loss on investments	(6,080,693)	10,055,072
Amortization of right-of-use assets – operating leases	543,846	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions and grants receivable	2,333,046	(1,899,901)
Prepaid expenses and deposits	(24,745)	(187,599)
Charitable remainder trusts receivable	553,485	967,750
Increase (decrease) in:		
Accounts payable and accrued expenses	236,746	56,526
Liability to beneficiaries	(204,490)	374,025
Lease liabilities – operating leases, net	(217,366)	-
Net cash provided by operating activities	1,756,321	5,155,594
Cash Flows from Investing Activities		
Purchases of property and equipment	(659,805)	(429,884)
Proceeds from sale of property and equipment	3,628,286	-
Purchases of investments	(18,450,153)	(27,716,628)
Proceeds from sales of investments	16,386,980	22,988,413
Net cash provided by (used in) investing activities	905,308	(5,158,099)
Net Increase (Decrease) in Cash	2,661,629	(2,505)
Cash, beginning of year	1,639,679	1,642,184
Cash, end of year	\$ 4,301,308	\$ 1,639,679
Noncash Transactions Arising from ASC 842 Adoption:		
Establishment of right-of-use assets – operating leases	\$ 2,501,223	\$ -
Establishment of lease liabilities – operating leases	\$ 2,501,223	\$ -

See accompanying notes.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

1. Nature of Operations

Pacific Legal Foundation (“the Foundation”) is a nonprofit public benefit corporation operating on voluntary, tax-deductible donations from the private sector, or through court-awarded attorney fees. Contributors consist of individuals, businesses, associations, and foundations from across the United States. The Foundation litigates nationwide to secure all Americans’ inalienable rights to live responsibly and productively in their pursuit of happiness. The Foundation combines strategic and principled litigation, communications, and research to achieve landmark court victories enforcing the Constitution’s guarantee of individual liberty. The Foundation is headquartered in Sacramento, California, with additional locations in the states of Florida, Washington, and Virginia.

PLF Building, LLC (“LLC”) is a wholly-owned subsidiary of the Foundation, established to act as a title holding company. After the Foundation sold real estate property in September 2022, the Foundation elected to file articles of dissolution for the LLC after the title of the real estate transferred. The LLC was dissolved on June 5, 2023.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the account balances of both the Foundation and the LLC. All significant intercompany balances and transactions have been eliminated in consolidation. Except when referred to separately, the entities are collectively referred to as “the Organization” throughout the accompanying consolidated financial statements and related notes.

Basis of Accounting and Presentation

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts. The Organization’s Board of Trustees has segregated amounts received without donor restrictions from various donors into a Board-designated fund, and has implemented an investment policy that includes an annual discretionary transfer of amounts to undesignated net assets to support operations.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. The Organization reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying consolidated statements of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

Contributions and Grants Receivable

Contributions and grants receivable represent unconditional amounts committed to the Organization. Contributions and grants receivable are reflected at either net realizable value, or at net present value based on projected cash flows. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Receivables are written off when deemed uncollectible. Management believes that all contributions receivable are collectible at June 30, 2023 and 2022, and accordingly, no allowance for uncollectible accounts has been established.

Charitable Remainder Trusts Receivable

Charitable remainder trusts assets include the estimated fair value of irrevocable charitable trusts in which the Organization is both the trustee and secondary beneficiary, as well as the estimated fair value of the Organization's remainder interest in irrevocable trusts for which the Organization is the secondary beneficiary.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Charitable Remainder Trusts Receivable (continued)

The fair value of the Organization's remainder interest in irrevocable trusts is determined using investment returns consistent with the composition of the asset portfolios, life expectancies, and relevant discount rate. Irrevocable charitable trusts whose use is limited by the Organization due to time or donor-imposed restrictions increase net assets with donor restrictions.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which is three to 30 years. Upon disposal of depreciable assets, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

Operating Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, which represent the Organization's right to use an underlying asset for the lease terms, and lease liabilities represent the Organization's obligation to make lease payments arising from a lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

Charitable Gift Annuities

Charitable gift annuities represent the present value of the liability due to primary beneficiaries and other secondary beneficiaries of the irrevocable charitable remainder trusts and charitable gift annuities for which the Organization is both trustee and secondary beneficiary. On an annual basis, the Organization reviews the need to revalue the liability to make distributions to the designated beneficiaries based upon actuarial assumptions. The present value of the estimated future payments is calculated using discount rates ranging from 7.00% to 7.60%, and applicable mortality tables.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Charitable Gift Annuities (continued)

At June 30, 2023, the total liability to beneficiaries of \$3,437,469 comprises \$1,862,085 related to irrevocable charitable remainder trusts, and \$1,575,384 related to charitable gift annuities. At June 30, 2022, the total liability to beneficiaries of \$3,641,959 comprises \$1,944,050 related to irrevocable charitable remainder trusts, and \$1,697,909 related to charitable gift annuities. The current portion of the liability to beneficiaries at June 30, 2023 and 2022 is \$517,331 and \$523,192, respectively.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

The Organization recognizes grants and contributions as revenue 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 met.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position, if any. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Organization recognizes revenue as follows:

Court-awarded attorney fees are recorded when received, which is when the sole performance obligation is satisfied.

Revenue from all other sources is recognized when earned.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying consolidated statements of activities as in-kind contributions. In-kind contributions consist of donated advertising that benefits both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used. During the years ended June 30, 2023 and 2022, the Foundation received donated advertising services with an estimated fair value of \$8,900 and \$56,900, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs for the years ended June 30, 2023 and 2022.

Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return, change in value of split-interest agreements, and gain on sale of property and equipment.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The Organization adopted ASC 842 during the year ended June 30, 2023, and adjusted the presentation in the consolidated financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. The Organization has implemented ASU 2020-07 during the year ended June 30, 2023. There were no changes as a result of the implementation. The implementation had no impact on previously reported net assets.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 15, 2023, the date the consolidated financial statements were available to be issued.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

3. Liquidity and Availability

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of this liquidity management, the management periodically reviews the Organization's liquid asset needs and invests in various investments including money market funds, and other funds.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 4,301,308	\$ 1,639,679
Investments	74,068,139	64,969,907
Contributions and grants receivable	<u>845,639</u>	<u>3,178,685</u>
Total financial assets	79,215,086	69,788,271
Less: receivables due to be collected in more than one year	-	(130,000)
Less: restricted by donors in perpetuity	(1,546,723)	(1,423,714)
Less: Board-designated endowment fund	<u>(68,638,393)</u>	<u>(59,780,329)</u>
Total available for general expenditures	<u>\$ 9,029,970</u>	<u>\$ 8,454,228</u>

The Organization's Board-designated reserve fund is, per Board-approved policy, subject to an annual spending rate of 5.5% of a three-year rolling average. Although the Organization does not intend to spend from the Board-designated reserve fund in excess of this annual appropriation, these amounts could be made available if necessary. The Organization invests cash in excess of daily requirements in short-term money market funds.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Investments are exposed to various risks such as interest rate, market, and credit risks. The Organization's charitable remainder trusts receivable are due from donor trusts that hold investments that are subject to the same types of investment risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the investments and charitable remainder trusts receivable balances, and the amounts reported in the consolidated statements of financial position.

5. Investments and Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The Organization's Level 3 financial liabilities, whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement, consist of split-interest agreements.

Investments in alternative funds are valued, as a practical expedient, utilizing the net asset value (NAV) provided by the underlying private investment companies and/or their administrators, without adjustment, when NAV of the investments is calculated in a manner consistent with generally accepted accounting principles (GAAP) for investment companies. The Organization applies the practical expedient to its investments in private companies, unless it is probable that the Organization will sell a portion of an investment at an amount different from NAV or in other situations where the practical expedient is not available, the Organization considers other factors in addition to the NAV, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

The Organization's investments and investments held in charitable remainder trusts in which the Organization is both trustee and secondary beneficiary are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative sources with reasonable levels of price transparency. The Organization's charitable remainder interests receivable from third parties are classified within Level 3 of the hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions. The Organization's government bond investments are classified within Level 2 of the hierarchy because the value is calculated on the basis of pricing information obtained from various pricing sources and from inputs other than quoted prices in active markets.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Money market accounts	\$ 2,782,740	\$ -	\$ -	\$ -	\$ 2,782,740
Equity mutual funds:					
Core	9,940,095	-	-	-	9,940,095
Emerging markets	3,530,570	-	-	-	3,530,570
International markets	418,021	-	-	-	418,021
Fixed-income mutual funds:					
High yield	4,081,373	-	-	-	4,081,373
Emerging markets	87,708	-	-	-	87,708
U.S. investment grade bonds	578,602	-	-	-	578,602
Equity securities:					
Core	18,846,575	-	-	-	18,846,575
Foreign	6,608,074	-	-	-	6,608,074
Mid cap	6,514,561	-	-	-	6,514,561
Small cap	3,938,082	-	-	-	3,938,082
Real estate investment trusts	-	-	-	1,441,934	1,441,934
Other real assets	79,397	-	-	-	79,397
Hedge funds:					
Equity	-	-	-	1,996,289	1,996,289
Relative value	-	-	-	1,119,443	1,119,443
Government bonds	-	12,104,675	-	-	12,104,675
Total investments	57,405,798	12,104,675	-	4,557,666	74,068,139
Beneficial interests in trusts:					
Charitable remainder trusts in which the Organization is both trustee and secondary beneficiary	2,854,731	-	-	-	2,854,731
Charitable remainder interests receivable from third parties	-	-	18,046	-	18,046
Total beneficial interests in trusts	2,854,731	-	18,046	-	2,872,777
Total assets at fair value	\$ 60,260,529	\$ 12,104,675	\$ 18,046	\$ 4,557,666	\$ 76,940,916

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements June 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	NAV	Total
Investments:					
Money market accounts	\$ 1,320,229	\$ -	\$ -	\$ -	\$ 1,320,229
Equity mutual funds:					
Core	12,216,092	-	-	-	12,216,092
Emerging markets	3,748,626	-	-	-	3,748,626
International markets	220,411	-	-	-	220,411
Growth	60,350	-	-	-	60,350
Fixed-income mutual funds:					
High yield	5,371,663	-	-	-	5,371,663
Emerging markets	666,944	-	-	-	666,944
U.S. investment grade bonds	2,027,524	-	-	-	2,027,524
Preferred stocks	678,510	-	-	-	678,510
Equity securities:					
Core	12,521,711	-	-	-	12,521,711
Foreign	5,872,850	-	-	-	5,872,850
Mid cap	5,335,006	-	-	-	5,335,006
Small cap	2,787,992	-	-	-	2,787,992
Real estate investment trusts	-	-	-	1,487,580	1,487,580
Other real assets	48,947	-	-	-	48,947
Hedge funds:					
Equity	-	-	-	1,990,269	1,990,269
Relative value	-	-	-	1,123,943	1,123,943
Government bonds	-	7,491,260	-	-	7,491,260
Total investments	52,876,855	7,491,260	-	4,601,792	64,969,907
Beneficial interests in trusts:					
Charitable remainder trusts in which the Organization is both trustee and secondary beneficiary	3,408,442	-	-	-	3,408,442
Charitable remainder interests receivable from third parties	-	-	17,820	-	17,820
Total beneficial interests in trusts	3,408,442	-	17,820	-	3,426,262
Total assets at fair value	\$ 56,285,297	\$ 7,491,260	\$ 17,820	\$ 4,601,792	\$ 68,396,169

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

In accordance with GAAP, certain investments are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and are not required to be classified in the fair value hierarchy. The amounts presented in the tables above are intended to permit reconciliation to the amounts presented in the consolidated statements of financial position.

Alternative Investments

The Organization has three investments in multi-adviser hedge funds that are valued using the net asset value reported by the fund managers, which is used as a practical expedient to estimate the fair value. There are no outstanding capital calls on these investments, and they are fully redeemable on a quarterly tender basis.

Valued as Level 3 Investment Funds

The following table provides a summary of changes in fair value of the Organization's Level 3 assets for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 17,820	\$ 103,875
Maturity of charitable remainder interest receivable	-	(80,391)
Unrealized gain (loss) in fair value	226	(5,664)
Ending balance	<u>\$ 18,046</u>	<u>\$ 17,820</u>

Net investment return consists of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 1,646,192	\$ 1,373,866
Net realized and unrealized gain (loss)	6,080,693	(10,055,072)
Less: investment management fees	(154,748)	(158,358)
Total investment return, net	<u>\$ 7,572,137</u>	<u>\$ (8,839,564)</u>

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

6. Contributions and Grants Receivable

Contributions and grants receivable consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 845,639	\$ 3,048,685
Receivable in one to five years	<u>-</u>	<u>130,000</u>
Total contributions and grants receivable	<u>\$ 845,639</u>	<u>\$ 3,178,685</u>

7. Charitable Remainder Trusts Receivable

Charitable remainder trusts receivable consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Assets held in charitable remainder trusts in which the Organization is both trustee and secondary beneficiary	\$ 2,854,731	\$ 3,408,442
Charitable remainder interests receivable from third parties	<u>18,046</u>	<u>17,820</u>
Total charitable remainder trusts receivable	<u>\$ 2,872,777</u>	<u>\$ 3,426,262</u>

8. Property and Equipment

On September 22, 2022, the Organization sold real estate property consisting of land, a building, and building improvements located in Sacramento, California at a gross sales price of \$3,800,000. The book value of the property at the time of sale was \$2,813,889. The resulting net gain on the sale after netting closing costs, settlement charges, as well as the book value of the property, was \$804,487, which is included in the consolidated statement of activities for the year ended June 30, 2023 as revenue from non-operating activities.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

8. Property and Equipment (continued)

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ -	\$ 900,000
Building	-	2,600,000
Leasehold improvements	1,666,307	1,232,319
Furniture and equipment	<u>879,887</u>	<u>680,785</u>
Total property and equipment	2,546,194	5,413,104
Less: accumulated depreciation and amortization	<u>(1,770,181)</u>	<u>(2,225,720)</u>
Property and equipment, net	<u><u>\$ 776,013</u></u>	<u><u>\$ 3,187,384</u></u>

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Time restricted:		
General operations	\$ 1,390,939	\$ 2,888,127
Charitable remainder trusts	1,010,693	1,482,212
Perpetual in nature	<u>1,546,723</u>	<u>1,423,714</u>
Total net assets with donor restrictions	<u><u>\$ 3,948,355</u></u>	<u><u>\$ 5,794,053</u></u>

10. Endowments

The Organization's endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Endowments (continued)

Net assets with donor restrictions that are perpetual in nature as of June 30, 2023 and 2022, consist of one endowment fund and are to be invested in perpetuity with gains and losses. Interest and dividends are to be used for operating or other purposes as designated by the Board of Trustees.

Board endowments of \$68,638,383 and \$59,780,329 at June 30, 2023 and 2022, respectively, have been designated to provide annual income that is predictable and reliable to assure the ability of the Organization to meet long-term professional obligations inherent in the nature of its litigation services.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the District of Columbia's 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 the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial gift amounts donated to the endowment, (b) the original value of subsequent gift amounts donated to the endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by 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 or depreciation of investments; (6) other resources of the Organization; and (7) the investment policies of the Organization.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Endowments (continued)

Spending Policy

It is the policy of the Board to allocate each year 5.5% of the average endowment over the period of three years from the endowment accounts for expenditure for program operations for the next fiscal year. As a part of the annual budget process, the Board will review the status of the endowment and may approve any change to its allocation level for the next fiscal year.

Return Objectives, Risk Parameters, and Strategies

The endowment investment policy, approved by the Board of Trustees, emphasizes preservation of capital as its primary objective and growth and income as secondary objectives. As such, the overall investment objectives are to maximize returns without exposure to undue risk. The assets for the endowment may be invested in a mix of equity, fixed income, real asset, and alternative investment/hedge funds. The desired investment objective of the endowment is an overall annualized time weighted long-term return on assets in excess of core inflation of at least 4%, net of investment-related fees.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Organization in net assets with donor restrictions. There were no fund deficiencies at both June 30, 2023 and 2022.

Composition of Endowment Net Assets

Endowment net assets composition was as follows at June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,546,723	\$ 1,546,723
Board-designated endowment fund	68,638,393	-	68,638,393
Total endowment net assets	<u>\$ 68,638,393</u>	<u>\$ 1,546,723</u>	<u>\$ 70,185,116</u>

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Endowments (continued)

Composition of Endowment Net Assets (continued)

Endowment net assets composition was as follows at June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,423,714	\$ 1,423,714
Board-designated endowment fund	<u>59,780,329</u>	<u>-</u>	<u>59,780,329</u>
Total endowment net assets	<u>\$ 59,780,329</u>	<u>\$ 1,423,714</u>	<u>\$ 61,204,043</u>

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 59,780,329	\$ 1,423,714	\$ 61,204,043
Investment return, net	7,460,798	126,582	7,587,380
Contributions	8,031,016	-	8,031,016
Endowment funds used for operations	(6,478,296)	-	(6,478,296)
Endowment expenditures	<u>(155,454)</u>	<u>(3,573)</u>	<u>(159,027)</u>
Endowment net assets, June 30, 2023	<u>\$ 68,638,393</u>	<u>\$ 1,546,723</u>	<u>\$ 70,185,116</u>

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

10. Endowments (continued)

Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 65,344,991	\$ 1,740,459	\$ 67,085,450
Investment return, net	(8,393,260)	(312,641)	(8,705,901)
Contributions	4,482,861	-	4,482,861
Endowment funds used for operations	(1,495,905)	-	(1,495,905)
Endowment expenditures	<u>(158,358)</u>	<u>(4,104)</u>	<u>(162,462)</u>
Endowment net assets, June 30, 2022	<u>\$ 59,780,329</u>	<u>\$ 1,423,714</u>	<u>\$ 61,204,043</u>

11. Line of Credit

The Organization has a \$3,000,000 revolving line of credit agreement with Wells Fargo Bank that expires on July 10, 2025. The interest on the line of credit is variable and is equal to the Daily One Month LIBOR plus 1.5%. There was no outstanding balance as of June 30, 2023 and 2022.

12. Leases

Office Leases

The Organization leases certain equipment and office space under long-term operating lease agreements, which expire at various dates through 2027. Rental expense related to these agreements for June 30, 2023 and 2022 was \$758,931 and \$468,877, respectively. In April 2021, the Organization entered into a non-cancellable 75-month lease, with a term commenced in October 2021.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12. Leases (continued)

Office Leases (continued)

The Organization adopted Topic 842 and recorded ROU assets and lease liabilities in the accompanying consolidated statements of financial position for the year ended June 30, 2023. To determine the present value of the lease payments, a weighted average discount rate was calculated using U.S Treasury bond rates as of July 1, 2023 with maturities aligned with the lease terms.

Supplemental qualitative information related to the operating office leases is as follows as of, and for the year ended June 30, 2023:

Operating lease cost (lease expense)	\$	631,511
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	305,030
Right-of-use assets obtained in exchange for lease obligations	\$	1,796,391
Weighted-average remaining lease term (in years)		3.3
Weighted-average discount rate		4.43%

Maturities of the lease liabilities under the Organization's operating office leases are as follows for the years ending June 30:

2024	\$	714,411
2025		712,656
2026		553,433
2027		204,612
2028		103,356
		<hr/>
Total minimum lease payments		2,288,468
Less: discount to present value at 4.43%		(165,597)
		<hr/>
Present value of operating lease liabilities	\$	<u>2,122,871</u>

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

12. Leases (continued)

Equipment Leases

The Organization also leases office equipment under various operating leases. Total operating lease costs under these leases totaled \$14,865 for the year ended June 30, 2023. The right-of-use assets obtained in exchange for lease obligations under these leases totaled \$160,986 at June 30, 2023. The present value of lease liabilities under these leases totaled \$160,986 at June 30, 2023. The weighted-average discount rate used was 4.21%.

Maturities of the lease liabilities under the Organization's equipment leases are as follows for the years ending June 30:

2024	\$	40,380
2025		36,564
2026		36,564
2027		36,564
2028		<u>27,423</u>
Total minimum lease payments		177,495
Less: discount to present value at 4.21%		<u>(16,509)</u>
Present value of operating lease liabilities	\$	<u><u>160,986</u></u>

13. Pension Plan

The Organization has a defined contribution pension plan under Section 403(b) of the Internal Revenue Code (IRC). Employees are eligible to participate upon date of hire and are eligible to receive employer contributions after completing six months of service. On a discretionary basis, the Organization may make nonelective contributions. Plan expense was \$1,097,538 and \$818,793 for the years ended June 30, 2023 and 2022, respectively.

Pacific Legal Foundation and Subsidiary

Notes to Consolidated Financial Statements
June 30, 2023 and 2022

14. Methods Used for Allocation of Expenses from Management and General Activities

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based on time and effort. Library and research, and case costs are fully allocated to legal activities. All other expenses are allocated based on the payroll allocations, or management's estimate of the usage of resources.

15. Income Taxes

The Internal Revenue Service has determined that the Foundation is exempt from federal income taxes under IRC Section 501(c)(3), except for taxes on unrelated business income. The Foundation is not a private foundation under IRC Section 509(a)(1). No tax expense is recorded in the accompanying consolidated financial statements for the years ended June 30, 2023 and 2022, as there were no unrelated business activities. The LLC is considered a disregarded entity for tax purposes and is also exempt from payment of income taxes other than unrelated business income.

Management evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require either recognition or disclosure in the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

Pacific Legal Foundation and Subsidiary

Consolidating Schedule of Financial Position
June 30, 2023

	<u>The Foundation</u>	<u>LLC</u>	<u>Total</u>
Assets			
Cash	\$ 4,301,308	\$ -	\$ 4,301,308
Investments	74,068,139	-	74,068,139
Contributions and grants receivable	845,639	-	845,639
Prepaid expenses and deposits	399,007	-	399,007
Charitable remainder trusts receivable	2,872,777	-	2,872,777
Property and equipment, net	776,013	-	776,013
Right-of-use assets – operating leases	1,957,377	-	1,957,377
	<hr/>	<hr/>	<hr/>
Total assets	\$ 85,220,260	\$ -	\$ 85,220,260
	<hr/>	<hr/>	<hr/>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,454,478	\$ -	\$ 1,454,478
Liability to beneficiaries	3,437,469	-	3,437,469
Lease liabilities – operating leases	2,283,857	-	2,283,857
	<hr/>	<hr/>	<hr/>
Total liabilities	7,175,804	-	7,175,804
	<hr/>	<hr/>	<hr/>
Net Assets			
Without donor restrictions:			
Undesignated	5,457,708	-	5,457,708
Board-designated endowment fund	68,638,393	-	68,638,393
	<hr/>	<hr/>	<hr/>
Total without donor restrictions	74,096,101	-	74,096,101
With donor restrictions	3,948,355	-	3,948,355
	<hr/>	<hr/>	<hr/>
Total net assets	78,044,456	-	78,044,456
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 85,220,260	\$ -	\$ 85,220,260
	<hr/>	<hr/>	<hr/>

Pacific Legal Foundation and Subsidiary

Consolidating Schedule of Financial Position
June 30, 2022

	<u>The Foundation</u>	<u>LLC</u>	<u>Total</u>
Assets			
Cash	\$ 1,629,770	\$ 9,909	\$ 1,639,679
Investments	64,969,907	-	64,969,907
Contributions and grants receivable	3,178,685	-	3,178,685
Prepaid expenses and deposits	374,262	-	374,262
Charitable remainder trusts receivable	3,426,262	-	3,426,262
Property and equipment, net	373,494	2,813,890	3,187,384
Total assets	<u>\$ 73,952,380</u>	<u>\$ 2,823,799</u>	<u>\$ 76,776,179</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,217,732	\$ -	\$ 1,217,732
Liability to beneficiaries	3,641,959	-	3,641,959
Total liabilities	<u>4,859,691</u>	<u>-</u>	<u>4,859,691</u>
Net Assets			
Without donor restrictions:			
Undesignated	3,518,307	2,823,799	6,342,106
Board-designated endowment fund	59,780,329	-	59,780,329
Total without donor restrictions	63,298,636	2,823,799	66,122,435
With donor restrictions	5,794,053	-	5,794,053
Total net assets	<u>69,092,689</u>	<u>2,823,799</u>	<u>71,916,488</u>
Total liabilities and net assets	<u>\$ 73,952,380</u>	<u>\$ 2,823,799</u>	<u>\$ 76,776,179</u>

Pacific Legal Foundation and Subsidiary

Consolidating Schedule of Activities
For the Year Ended June 30, 2023

	The Foundation		LLC	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	
Operating Revenue and Support				
Contributions and grants	\$ 20,586,859	\$ 1,184,931	\$ -	\$ 21,771,790
Court-awarded attorney fees	1,128,139	-	-	1,128,139
In-kind contributions	8,900	-	-	8,900
Other income	32,006	-	-	32,006
Net assets released from restrictions	2,682,118	(2,682,118)	-	-
Total operating revenue and support	24,438,022	(1,497,187)	-	22,940,835
Expenses				
Program services:				
Legal activities	13,544,312	-	-	13,544,312
Public education	6,737,446	-	-	6,737,446
Total program services	20,281,758	-	-	20,281,758
Supporting services:				
Revenue development	2,039,190	-	-	2,039,190
General and administrative	3,095,361	-	-	3,095,361
Total supporting services	5,134,551	-	-	5,134,551
Total expenses	25,416,309	-	-	25,416,309
Change in Net Assets from Operations	(978,287)	(1,497,187)	-	(2,475,474)
Non-Operating Activities				
Investment return, net	7,449,128	123,009	-	7,572,137
Change in value of split-interest agreements	698,338	(471,520)	-	226,818
Intercompany transfer - proceeds from sale of property and equipment	3,628,286	-	(3,628,286)	-
Gain on sale of property and equipment	-	-	804,487	804,487
Change in Net Assets	10,797,465	(1,845,698)	(2,823,799)	6,127,968
Net Assets, beginning of year	63,298,636	5,794,053	2,823,799	71,916,488
Net Assets, end of year	\$ 74,096,101	\$ 3,948,355	\$ -	\$ 78,044,456

Pacific Legal Foundation and Subsidiary

Consolidating Schedule of Activities
For the Year Ended June 30, 2022

	The Foundation		LLC	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	
Operating Revenue and Support				
Contributions and grants	\$ 24,277,025	\$ 2,093,426	\$ -	\$ 26,370,451
Court-awarded attorney fees	126,573	-	-	126,573
In-kind contributions	56,900	-	-	56,900
Other income	111,055	-	-	111,055
Net assets released from restrictions	950,691	(950,691)	-	-
Total operating revenue and support	25,522,244	1,142,735	-	26,664,979
Expenses				
Program services:				
Legal activities	11,777,726	-	-	11,777,726
Public education	4,894,489	-	-	4,894,489
Total program services	16,672,215	-	-	16,672,215
Supporting services:				
Revenue development	1,612,828	-	-	1,612,828
General and administrative	1,940,398	-	86,666	2,027,064
Total supporting services	3,553,226	-	86,666	3,639,892
Total expenses	20,225,441	-	86,666	20,312,107
Change in Net Assets from Operations	5,296,803	1,142,735	(86,666)	6,352,872
Non-Operating Activities				
Investment return, net	(8,526,923)	(312,641)	-	(8,839,564)
Change in value of split-interest agreements	(717,368)	(242,453)	-	(959,821)
Change in Net Assets	(3,947,488)	587,641	(86,666)	(3,446,513)
Net Assets, beginning of year	67,246,124	5,206,412	2,910,465	75,363,001
Net Assets, end of year	\$ 63,298,636	\$ 5,794,053	\$ 2,823,799	\$ 71,916,488