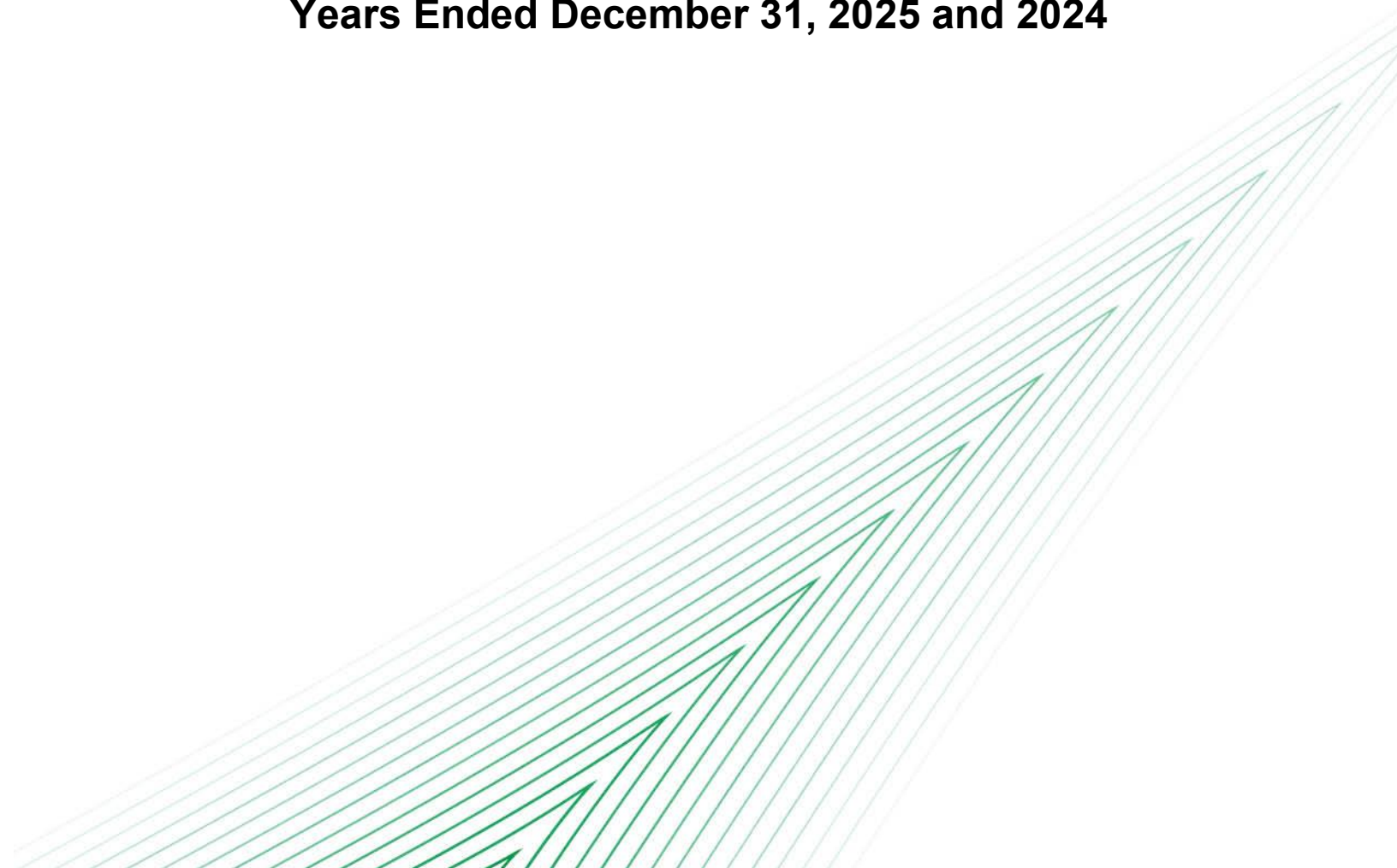




LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
Financial Statements

Years Ended December 31, 2025 and 2024



LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-18

Independent Auditors' Report

To the Board of Directors of
Lambda Legal Defense and Education Fund, Inc.

Opinion

We have audited the financial statements of Lambda Legal Defense and Education Fund, Inc. ("Lambda Legal"), 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lambda Legal 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lambda Legal 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 Lambda Legal's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

CBIZ CPAs P.C.

Boston, Massachusetts
June 9, 2026

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash	\$ 7,507,717	\$ 6,753,335
Pledges receivable, net	9,589,701	10,118,463
Prepaid expenses and other assets	1,082,969	944,691
Investments	79,912,471	57,752,179
Assets held for gift annuities	3,025,612	2,717,722
Beneficial interest in trusts	4,162,633	1,375,164
Property and equipment, net	611,339	903,467
Operating lease right-of-use asset	2,177,752	4,469,567
TOTAL ASSETS	\$ 108,070,194	\$ 85,034,588
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,653,224	\$ 3,050,771
Deferred income	743,077	78,555
Liabilities under gift annuities	1,001,903	1,229,644
Operating lease liabilities	2,490,385	4,962,570
TOTAL LIABILITIES	6,888,589	9,321,540
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	611,339	903,467
Board designated	894,491	773,577
Operations	81,388,271	59,065,834
Total without donor restrictions	82,894,101	60,742,878
With donor restrictions	18,287,504	14,970,170
TOTAL NET ASSETS	101,181,605	75,713,048
TOTAL LIABILITIES AND NET ASSETS	\$ 108,070,194	\$ 85,034,588

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	For the Year Ended December 31, 2025			For the Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total 2025	Without Donor Restrictions	With Donor Restrictions	Total 2024
OPERATING PUBLIC SUPPORT AND REVENUE:						
Special events revenue	\$ 6,626,047	\$ 50,000	\$ 6,676,047	\$ 6,699,884	\$ -	\$ 6,699,884
Less: direct special event expenses	(989,617)	-	(989,617)	(1,071,503)	-	(1,071,503)
Net revenues from special events	5,636,430	50,000	5,686,430	5,628,381	-	5,628,381
Grants from foundations and corporations	5,336,238	-	5,336,238	2,428,743	-	2,428,743
Contributions, bequests and memberships	30,107,616	4,958,359	35,065,975	41,347,257	5,803,679	47,150,936
Donated professional services	21,340,493	-	21,340,493	8,538,510	-	8,538,510
Attorney fees	20,316	-	20,316	160,297	-	160,297
Other revenue	341,835	-	341,835	117,917	-	117,917
Net assets released from restrictions	4,865,988	(4,865,988)	-	5,655,339	(5,655,339)	-
TOTAL OPERATING PUBLIC SUPPORT AND REVENUE	67,648,916	142,371	67,791,287	63,876,444	148,340	64,024,784
OPERATING EXPENSES:						
Program Services:						
Legal (Including donated legal expenses of \$17,407,510 and \$8,538,510, respectively)	31,030,735	-	31,030,735	19,663,657	-	19,663,657
Educational	7,360,517	-	7,360,517	7,232,112	-	7,232,112
Total program services	38,391,252	-	38,391,252	26,895,769	-	26,895,769
Supporting Services:						
Management and general	5,967,106	-	5,967,106	4,106,546	-	4,106,546
Fundraising	7,340,712	-	7,340,712	6,485,353	-	6,485,353
Total supporting services	13,307,818	-	13,307,818	10,591,899	-	10,591,899
TOTAL OPERATING EXPENSES	51,699,070	-	51,699,070	37,487,668	-	37,487,668
EXCESS OF OPERATING PUBLIC SUPPORT AND REVENUE OVER OPERATING EXPENSES	15,949,846	142,371	16,092,217	26,388,776	148,340	26,537,116
NON-OPERATING ACTIVITIES						
Beneficial interest in trusts	-	2,531,714	2,531,714	-	-	-
Investment activity, net	6,047,440	387,494	6,434,934	4,439,392	333,579	4,772,971
Change in value of gift annuities	83,235	-	83,235	(97,744)	-	(97,744)
Change in value of beneficial interest in trusts	-	255,755	255,755	-	112,156	112,156
Gain/(Loss) on disposal of property and equipment and right-of-use asset	70,702	-	70,702	(5,950)	-	(5,950)
TOTAL NON-OPERATING ACTIVITIES	6,201,377	3,174,963	9,376,340	4,335,698	445,735	4,781,433
TOTAL CHANGE IN NET ASSETS	22,151,223	3,317,334	25,468,557	30,724,474	594,075	31,318,549
Net assets - beginning of year	60,742,878	14,970,170	75,713,048	30,018,404	14,376,095	44,394,499
NET ASSETS - END OF YEAR	\$ 82,894,101	\$ 18,287,504	\$ 101,181,605	\$ 60,742,878	\$ 14,970,170	\$ 75,713,048

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	For the Year Ended December 31, 2025							
	Program Services			Supporting Services			Total 2025	Total 2024
	Legal	Educational	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 6,232,473	\$ 3,457,653	\$ 9,690,126	\$ 2,351,730	\$ 3,186,287	\$ 5,538,017	\$ 15,228,143	\$ 14,671,015
Payroll taxes and employee benefits	2,340,146	1,275,823	3,615,969	779,381	1,170,927	1,950,308	5,566,277	4,246,078
Total Salaries and Related Costs	8,572,619	4,733,476	13,306,095	3,131,111	4,357,214	7,488,325	20,794,420	18,917,093
Donated professional services	18,552,010	626,750	19,178,760	1,496,331	665,402	2,161,733	21,340,493	8,538,510
Printing and outreach	556,117	418,119	974,236	174,111	261,167	435,278	1,409,514	1,136,643
Occupancy	599,385	327,690	927,075	199,464	299,195	498,659	1,425,734	1,686,133
Professional services	1,394,327	705,723	2,100,050	315,257	479,081	794,338	2,894,388	3,199,746
Travel and meetings	576,286	255,787	832,073	110,030	177,613	287,643	1,119,716	1,030,851
Office supplies	8,677	9,793	18,470	2,805	4,208	7,013	25,483	26,684
Insurance	56,336	30,851	87,187	18,779	28,168	46,947	134,134	118,572
Equipment rental and repairs	21,937	12,013	33,950	7,312	10,969	18,281	52,231	49,114
Telecommunications	28,866	15,808	44,674	9,622	14,433	24,055	68,729	78,508
Dues and subscriptions	145,699	14,172	159,871	3,975	5,170	9,145	169,016	190,485
Credit card and bank charges	139,231	76,758	215,989	45,929	69,615	115,544	331,533	237,628
Postage	30,509	17,203	47,712	10,024	15,037	25,061	72,773	60,573
Equipment	90,673	50,724	141,397	242,254	248,086	490,340	631,737	521,973
Direct case expenses	138,180	-	138,180	-	-	-	138,180	197,319
Special event expenses:								
Food & venue	-	-	-	-	910,366	910,366	910,366	961,807
Services & entertainment	-	-	-	-	497,343	497,343	497,343	690,440
Travel	-	-	-	-	40,831	40,831	40,831	74,711
Other event expenses	-	-	-	-	186,489	186,489	186,489	221,471
Bad debt	-	-	-	157,347	-	157,347	157,347	293,801
Depreciation and amortization	119,883	65,650	185,533	42,755	59,942	102,697	288,230	327,109
Subtotal	31,030,735	7,360,517	38,391,252	5,967,106	8,330,329	14,297,435	52,688,687	38,559,171
Less: Direct cost of special events reported net of revenue on the statements of activities	-	-	-	-	(989,617)	(989,617)	(989,617)	(1,071,503)
TOTAL EXPENSES	\$ 31,030,735	\$ 7,360,517	\$ 38,391,252	\$ 5,967,106	\$ 7,340,712	\$ 13,307,818	\$ 51,699,070	\$ 37,487,668

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	For the Year Ended December 31, 2024						
	Program Services			Supporting Services			
	Legal	Educational	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2024
Salaries	\$ 6,070,617	\$ 3,353,705	\$ 9,424,322	\$ 2,247,743	\$ 2,998,950	\$ 5,246,693	\$ 14,671,015
Payroll taxes and employee benefits	1,689,318	1,088,191	2,777,509	538,646	929,923	1,468,569	4,246,078
Total Salaries and Related Costs	7,759,935	4,441,896	12,201,831	2,786,389	3,928,873	6,715,262	18,917,093
Donated professional services	8,419,672	97,391	8,517,063	-	21,447	21,447	8,538,510
Printing and outreach	275,091	637,299	912,390	61,240	163,013	224,253	1,136,643
Occupancy	641,266	455,091	1,096,357	202,209	387,567	589,776	1,686,133
Professional services	1,212,240	980,826	2,193,066	540,834	465,846	1,006,680	3,199,746
Travel and meetings	544,911	283,304	828,215	15,852	186,784	202,636	1,030,851
Office supplies	9,685	7,339	17,024	4,398	5,262	9,660	26,684
Insurance	45,057	32,014	77,071	14,229	27,272	41,501	118,572
Equipment rental and repairs	18,540	13,498	32,038	5,855	11,221	17,076	49,114
Telecommunications	29,827	21,209	51,036	9,419	18,053	27,472	78,508
Dues and subscriptions	155,891	18,163	174,054	9,774	6,657	16,431	190,485
Credit card and bank charges	90,116	64,069	154,185	28,900	54,543	83,443	237,628
Postage	20,186	22,154	42,340	6,273	11,960	18,233	60,573
Equipment	119,620	69,540	189,160	88,119	244,694	332,813	521,973
Direct case expenses	197,319	-	197,319	-	-	-	197,319
Special event expenses:							
Food & venue	-	-	-	-	961,807	961,807	961,807
Services & entertainment	-	-	-	-	690,440	690,440	690,440
Travel	-	-	-	-	74,711	74,711	74,711
Other event expenses	-	-	-	-	221,471	221,471	221,471
Bad debt	-	-	-	293,801	-	293,801	293,801
Depreciation and amortization	124,301	88,319	212,620	39,254	75,235	114,489	327,109
Subtotal	19,663,657	7,232,112	26,895,769	4,106,546	7,556,856	11,663,402	38,559,171
Less: Direct cost of special events reported net of revenue on the statements of activities	-	-	-	-	(1,071,503)	(1,071,503)	(1,071,503)
TOTAL EXPENSES	\$ 19,663,657	\$ 7,232,112	\$ 26,895,769	\$ 4,106,546	\$ 6,485,353	\$ 10,591,899	\$ 37,487,668

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 25,468,557	\$ 31,318,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	288,230	327,109
Change in value of gift annuities	(83,235)	97,744
Change in value of beneficial interest in trusts	(255,755)	(112,156)
Net realized and unrealized gain on investments	(4,541,830)	(3,487,662)
Bad debt expense	157,347	293,801
Non-cash lease expenses	1,086,570	1,153,166
(Gain)/Loss on disposal of property and equipment and right-of-use assets	(70,702)	5,950
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	371,415	(1,855,870)
Prepaid expenses and other assets	(138,278)	94,932
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(397,547)	923,312
Deferred income	664,522	35,105
Change in operating lease liabilities	(1,183,842)	(1,228,202)
Net Cash Provided by Operating Activities	21,365,452	27,565,778
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	43,719,159	2,150,266
Purchase of investments	(61,337,621)	(29,874,295)
Purchase of property and equipment and leasehold improvements	(8,498)	(2,376)
Net Cash Used in Investing Activities	(17,626,960)	(27,726,405)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments on annuities and trusts	(2,984,110)	(384,310)
Net Cash Used in Financing Activities	(2,984,110)	(384,310)
NET (DECREASE) INCREASE IN CASH	754,382	(544,937)
Cash - beginning of year	6,753,335	7,298,272
CASH - END OF YEAR	\$ 7,507,717	\$ 6,753,335

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Lambda Legal Defense and Education Fund, Inc. (“Lambda Legal”) is a national organization working to achieve full recognition of the civil rights of lesbians, gay men, bisexuals, transgender people and everyone living with HIV, through impact litigation, education and public policy work.

Founded in 1973, Lambda Legal is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and has been held to be a publicly supported organization and not a private foundation under Section 509(a). Funding is primarily from contributions, bequests and donated services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lambda Legal's financial statements have been prepared on the accrual basis of accounting. Lambda Legal adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Lambda Legal maintains its net assets under the following two classes:

- Without donor restrictions – net assets that have not been restricted by the donor. Such resources are available to support Lambda Legal’s operations. Included within this category are funds that the Board of Directors has designated to function as endowment.
- With donor restrictions – net assets resulting from contributions and other inflows of assets whose use by Lambda Legal is limited by donor-imposed stipulations. Some restrictions are temporary and will be satisfied by either the passage of time or upon the occurrence of specified events. Other restrictions are perpetual in nature, with donors requiring that resources be maintained in perpetuity which is commonly referred to as the endowment.

Cash that potentially subjects Lambda Legal to a concentration of credit risk includes accounts with one bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The bank account is insured up to \$250,000 per depositor. As of December 31, 2025 and 2024, there was approximately \$6,734,000 and \$6,190,000, respectively, of cash held by the bank that exceeded FDIC limits. Such excess includes outstanding checks.

Contributions and grants are nonexchange transactions and accounted for under FASB Accounting Standards Update (“ASU”) 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/release from obligation. Amounts due beyond one year are discounted to present value using a risk-adjusted interest rate. The discount rate was 3.47%-4.18% and 4.22% as of December 31, 2025 and 2024, respectively. Effective January 1, 2025, Lambda Legal changed the methodology for determining the discount rate. This change in estimate was applied prospectively. The discount on pledges was approximately \$361,000 and \$1,159,000 as of December 31, 2025 and 2024, respectively. Lambda Legal bases its allowance for doubtful accounts on its historical loss experience considering the age of the receivables and other factors. Pledges are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Lambda Legal determined that an allowance of approximately \$415,000 and \$487,000 was necessary as of December 31, 2025 and 2024, respectively, for pledges receivable.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In determining fair value, Lambda Legal utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Investments in money market funds, common stock, U.S. government bonds and corporate bonds are valued using market prices in active markets (Level 1). Some investments in U.S. government bonds and gift annuities are valued using a model approach (Level 2). Beneficial interest in trust investments are valued based on unobservable inputs (Level 3).

Investments in marketable securities are stated at their fair values. Lambda Legal considers all money market funds to be investments. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned, net of any investment expenses.

Lambda Legal has a charitable gift annuity plan whereby donors may contribute assets in exchange for the right to receive a fixed-dollar periodic payment of the gift assets during their lifetimes. Lambda Legal has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of Lambda Legal or any other purpose other than annuity benefits specified in the agreements. In addition, this portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law. Payments begin in accordance with the timing stipulated in the gift annuity contracts. The difference between the original annuity amount invested and the discounted liability for future payments, determined on an actuarial basis, is recognized as contribution revenue at the date of the gift. The actuarial liability is revalued annually and any surplus or deficiency is recognized as a change in value in the statements of activities.

Lambda Legal's split-interest agreements with donors who list Lambda Legal as beneficiary consist primarily of irrevocable charitable remainder trusts held by third parties as described in Note 6. Charitable remainder UniTrust gifts are time-restricted contributions not available to Lambda Legal until after the death of the donor and other beneficiaries, who, while living, receive payouts from the trust based on a fixed percentage of the market value of the invested funds each year as stated in the trust agreements. The trust agreements, in certain instances, allow for the beneficiaries to receive additional distributions, which may substantially reduce the value of expected future cash flows.

Lambda Legal recognizes as assets and contributions to net assets with donor restrictions the fair value of the trusts based on the present value of the estimated expected future cash flows from the trusts' assets. The present value is calculated using risk-adjusted discount rates based on the term of the trust. Distributions received by Lambda Legal are net assets without donor restrictions unless specified otherwise in the trust documents.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment with a useful life of more than one year are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Contributed property and equipment are stated at fair value at the date of gift. Lambda Legal has established a \$2,500 threshold above which assets are capitalized. Purchases below \$2,500 are expensed at the time of acquisition. Leasehold improvements are amortized on the straight-line basis over the lesser of their useful lives or the term of the lease. All other property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets. When assets are retired or disposed of, the associated cost and accumulated depreciation are removed from the amounts and gains or losses are included in without donor restrictions in the statement of activities.

Lambda Legal leases real property under operating leases as further described in Note 8. Lambda Legal assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Lambda Legal may receive cash in advance of special events that is to be held after the statements of financial position date. Lambda Legal records the contribution portion and the exchange portion of the events as deferred income until earned.

Lambda Legal believes it had no uncertain tax positions as of December 31, 2025 and 2024 in accordance with FASB ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

Lambda Legal reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Accordingly, even if a restriction is fulfilled in the same time period in which the contribution is received, Lambda Legal reports the support as net assets with donor restrictions, as well as released from restrictions.

Lambda Legal includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment activity, changes in value of gift annuities and beneficial interest in trusts and loss on disposal of property, equipment and right-of-use assets are recognized as non-operating activities.

Lambda Legal records donated professional services that meet the criteria for recognition. A significant portion of the donated services received are services provided free of charge to Lambda Legal by lawyers supervised or guided by Lambda Legal staff. Such contributions-in-kind are reflected as both income and expense in the accompanying statements of activities.

Attorneys' fees are amounts awarded by a court when Lambda Legal's clients prevail in a case or amounts paid by opposing parties as part of the settlement of litigation in which attorneys' fees could be awarded that compensate Lambda Legal for time spent representing its clients and can include reimbursement of actual expenses incurred by Lambda Legal in connection with such legal representation.

Legacies and bequests are recognized as revenue when Lambda Legal is notified that actual or potential disputes are resolved and funds are forthcoming. Accordingly, bequests are accrued when wills have passed through probate and legal counsel has confirmed amounts held on behalf of Lambda Legal. Bequests that are explicitly directed towards a specific campaign are classified as contributions or grants in the accompanying statements of activities.

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

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of providing program and supporting services of Lambda Legal have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries, payroll taxes and employee benefits are allocated based on estimates of time and effort. All other shared expenses are allocated based on the allocation of salary costs.

Certain line items in the December 31, 2024 financial statements have been reclassified to conform to the December 31, 2025 presentation.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due. Lambda Legal considers all expenditures related to its ongoing program activities, as well as services undertaken to support those activities and restricted funds, to be general expenditures. Lambda Legal has a \$2,500,000 revolving line of credit, secured by Lambda Legal's investments, which it can draw upon in the event of a liquidity need. No amounts were outstanding from this revolving line of credit as of December 31, 2025 and 2024.

Lambda Legal's financial assets available to meet general expenditures over the next year are as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Cash	\$ 7,507,717	\$ 6,753,335
Pledges receivable, net	9,589,701	10,118,463
Investments	79,912,471	57,752,179
Assets held for gift annuities	<u>3,025,612</u>	<u>2,717,722</u>
Total financial assets	100,035,501	77,341,699
Less: pledges receivable due in more than one year, net	(4,068,798)	(4,763,962)
Less: endowment investments	(3,788,263)	(3,499,298)
Less: assets held for gift annuities	<u>(3,025,612)</u>	<u>(2,717,722)</u>
	<u>\$ 89,152,828</u>	<u>\$ 66,360,717</u>

NOTE 4 – PLEDGES RECEIVABLE, NET

Pledges receivable consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Collectible in:		
Less than one year	\$ 5,520,903	\$ 5,354,501
One to five years	4,475,500	5,902,020
Greater than five years	<u>370,000</u>	<u>507,500</u>
	10,366,403	11,764,021
Less: Discount on pledges	(361,345)	(1,158,841)
Less: allowance for doubtful accounts	<u>(415,357)</u>	<u>(486,717)</u>
	<u>\$ 9,589,701</u>	<u>\$ 10,118,463</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 – INVESTMENTS, ASSETS HELD FOR CHARITABLE GIFT ANNUITIES AND FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value at December 31, 2025 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2025</u>
Investments:				
Money market funds	\$ 13,800,483	\$ -	\$ -	\$ 13,800,483
Common stock	19,317,757	-	-	19,317,757
U.S. government bonds	42,224,875	2,687,591	-	44,912,466
Corporate bonds	<u>1,881,765</u>	<u>-</u>	<u>-</u>	<u>1,881,765</u>
Total investments	<u>77,224,880</u>	<u>2,687,591</u>	<u>-</u>	<u>79,912,471</u>
Assets held for gift annuities:				
Money market funds	44,215	-	-	44,215
Common stock	1,935,306	-	-	1,935,306
Fixed income – U.S. government bonds	388,727	-	-	388,727
Fixed income – corporate bonds	<u>657,364</u>	<u>-</u>	<u>-</u>	<u>657,364</u>
Total assets held for gift annuities	<u>3,025,612</u>	<u>-</u>	<u>-</u>	<u>3,025,612</u>
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>4,162,633</u>	<u>4,162,633</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 80,250,492</u>	<u>\$ 2,687,591</u>	<u>\$ 4,162,633</u>	<u>\$ 87,100,716</u>
 LIABILITIES CARRIED AT FAIR VALUE:				
Liabilities under gift annuities	\$ -	\$ 1,001,903	\$ -	\$ 1,001,903
TOTAL LIABILITIES AT FAIR VALUE	<u>\$ -</u>	<u>\$ 1,001,903</u>	<u>\$ -</u>	<u>\$ 1,001,903</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 – INVESTMENTS, ASSETS HELD FOR CHARITABLE GIFT ANNUITIES AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities measured at fair value at December 31, 2024 are classified as follows:

ASSETS CARRIED AT FAIR VALUE:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2024</u>
Investments:				
Money market funds	\$ 5,759,228	\$ -	\$ -	\$ 5,759,228
Common stock	16,156,555	-	-	16,156,555
U.S. government bonds	31,546,773	2,459,927	-	34,006,700
Corporate bonds	<u>1,829,696</u>	<u>-</u>	<u>-</u>	<u>1,829,696</u>
Total investments	<u>55,292,252</u>	<u>2,459,927</u>	<u>-</u>	<u>57,752,179</u>
Assets held for gift annuities:				
Money market funds	22,097	-	-	22,097
Common stock	1,693,742	-	-	1,693,742
Fixed income – U.S. government bonds	377,706	-	-	377,706
Fixed income – corporate bonds	<u>624,177</u>	<u>-</u>	<u>-</u>	<u>624,177</u>
Total assets held for gift annuities	<u>2,717,722</u>	<u>-</u>	<u>-</u>	<u>2,717,722</u>
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>1,375,164</u>	<u>1,375,164</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 58,009,974</u>	<u>\$ 2,459,927</u>	<u>\$ 1,375,164</u>	<u>\$ 61,845,065</u>
 LIABILITIES CARRIED AT FAIR VALUE:				
Liabilities under gift annuities	\$ -	\$ 1,229,644	\$ -	\$ 1,229,644
TOTAL LIABILITIES AT FAIR VALUE	<u>\$ -</u>	<u>\$ 1,229,644</u>	<u>\$ -</u>	<u>\$ 1,229,644</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2025 and 2024, there were no transfers.

The reconciliation of Level 3 investments measured at estimated fair value for the years ended December 31 is as follows:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 1,375,164	\$ 1,263,008
Additions to beneficial interest in trusts	2,531,714	-
Change in value of beneficial interest in trusts	<u>255,755</u>	<u>112,156</u>
Balance, end of year	<u>\$ 4,162,633</u>	<u>\$ 1,375,164</u>

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 – INVESTMENTS, ASSETS HELD FOR CHARITABLE GIFT ANNUITIES AND FAIR VALUE MEASUREMENTS (Continued)

Investment activity for investments held consists of the following for the years ended December 31:

	2025	2024
Interest and dividends	\$ 2,079,459	\$ 1,447,360
Unrealized gain on investments	3,246,654	1,905,563
Realized gain on investment sales	1,295,176	1,582,099
Investment management fees	(186,355)	(162,051)
Subtotal	\$ 6,434,934	\$ 4,772,971

Investment activity related to Lambda Legal's gift annuities is reported net of fees incurred, which are not separated from the components of investment return above.

NOTE 6 – BENEFICIAL INTEREST IN TRUSTS

Lambda Legal has been named a beneficiary in charitable trusts as follows:

- A Charitable Remainder UniTrust from which a beneficiary is currently receiving 8% of the initial net-fair market value of the assets of such trust valued on the first business day of such taxable year. Subsequent to this beneficiary passing, Lambda Legal is named to receive 100% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 25% of the balance of the trust.
- A Charitable Remainder Trust from which beneficiaries are currently receiving income earned quarterly during their lifetime. Subsequent to all beneficiaries passing, Lambda Legal is named to receive 30% of the balance of the trust.
- A Charitable Remainder Trust from which a beneficiary is currently receiving fixed income and income earned quarterly until the beneficiary passes or 9 years after the trust goes in effect, whichever comes first. Subsequent to this, Lambda Legal is named to receive 25% of the balance of the trust.
- A Charitable Remainder UniTrust from which a beneficiary is currently receiving 8% of the initial net-fair market value of the assets of such trust valued on the first business day of the calendar year. Subsequent to this beneficiary passing, Lambda Legal is named to receive 10% of the balance of the trust.
- A Charitable Remainder UniTrust from which beneficiaries are currently receiving 5% of the initial net-fair market value of the assets of such trust valued on the first business day of the calendar year. Subsequent to each beneficiary passing, Lambda Legal is named to receive 10% of the balance of the trust.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	\$ 535,494	\$ 629,081	3-5 years
Website	798,233	798,233	5 years
Leasehold improvements	<u>711,462</u>	<u>736,597</u>	5-15 years
Total cost	2,045,189	2,163,911	
Less: accumulated depreciation and amortization	<u>(1,433,850)</u>	<u>(1,260,444)</u>	
Net book value	<u>\$ 611,339</u>	<u>\$ 903,467</u>	

During the year ended December 31, 2025, Lambda Legal disposed of and wrote off property and equipment of \$127,221 with accumulated depreciation of \$114,824, resulting in a loss of \$12,397 from the disposal. During the year ended December 31, 2024, Lambda Legal disposed of and wrote off property and equipment of \$43,474 with accumulated depreciation of \$37,524, resulting in a loss of \$5,950 from the disposal. During the year ended December 31, 2024, \$294,600 of fully depreciated equipment no longer in service was written off.

NOTE 8 – OPERATING LEASES

Lambda Legal has lease agreements for the rental of its New York, Los Angeles, Chicago, Dallas, District of Columbia and Atlanta offices, as well as several operating leases. These leases include rent escalations. Lambda Legal assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

As of December 31, 2025 and 2024, the lease liabilities were calculated utilizing the risk-free rate in effect at the date of commencement. For leases with commencement dates prior to January 1, 2022, the lease liabilities were calculated using the risk-free rate in effect at the initial adoption date of January 1, 2022.

Future minimum payments for non-cancelable operating leases for the next five years ending after December 31, 2025 and thereafter are as follows:

2026	\$ 1,168,883
2027	761,315
2028	339,777
2029	254,622
2030	<u>62,088</u>
Total lease payments	2,586,685
Less: Present value discount	<u>(96,300)</u>
Present value of lease liabilities	<u>\$ 2,490,385</u>

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$1,100,742	\$1,359,848
Right-of-use assets obtained in exchange for new operating liabilities	\$ 93,989	\$ -
Weighted-average remaining lease term	31 months	49 months
Weighted-average discount rate	2.55%	2.49%

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 – OPERATING LEASES (Continued)

Lease expense consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Real property	\$ 1,050,166	\$ 1,246,755
Equipment	34,162	48,788
	<u>\$ 1,084,328</u>	<u>\$ 1,295,543</u>

Such amounts are included in occupancy and equipment rental and repairs in the accompanying statements of functional expenses. During the year ended December 31, 2025, Lambda Legal disposed of and wrote off two right-of-use lease assets of \$1,382,332 with lease liabilities of \$1,458,984, resulting in a gain of \$83,099 from the disposal.

NOTE 9 – DONATED SERVICES

Donated services consisted of the following for the year ended December 31:

<u>Nonfinancial Asset</u>	<u>2025</u>	<u>2024</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Donated professional services	<u>\$21,340,493</u>	<u>\$ 8,538,510</u>	Various positions in programs	No associated donor restrictions	Based on hourly rates

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT

Net assets with donor restrictions consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Time restrictions		
Beneficial interest in trusts	\$ 4,162,633	\$ 1,375,164
Other time restricted gifts	9,181,319	9,647,087
Purpose restrictions	2,049,780	1,222,198
Unappropriated earnings from donor-restricted endowment	439,351	356,592
Term endowment*	2,006,331	1,921,039
Donor-restricted endowment corpus	<u>448,090</u>	<u>448,090</u>
	<u>\$ 18,287,504</u>	<u>\$ 14,970,170</u>

* During 2018, Lambda Legal received a term endowment gift to fund a legal fellowship. Until the end of 2028, Lambda Legal must invest the donation and use the investment to fund the Legal fellowship. After 2028, Lambda Legal may use the remaining portion of the gift for other restricted purposes. During the year ended December 31, 2023, Lambda Legal received a bequest in the amount of \$1,000,000. Until the end of 2043, Lambda Legal must use all of the annual income plus equal distributions of the principal such that the entire amount of the gift, plus all income, will be expended over a period of twenty years.

Net assets of \$4,865,988 and \$5,655,339 were released from restrictions during the years ended December 31, 2025 and 2024, respectively, by incurring expenses or the passage of time, thus satisfying the restricted purposes.

Lambda Legal believes it has adopted reasonable and prudent investment policies for endowment assets that attempt to achieve favorable investment returns without exposure to undue risk that would threaten the preservation and growth of endowment principal. The portfolio is invested by external investment managers based on a diversified total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT

Lambda Legal recognizes that the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the market value of its donor-restricted endowment funds. During the years ended December 31, 2025 and 2024, the Board approved a resolution to appropriate 7% of the rolling five-year average market value of the donor-restricted endowment funds to net assets without donor restrictions.

In accordance with NYPMIFA, any unappropriated earnings on donor-restricted endowment funds, if not otherwise restricted by the donor, are reflected as net assets with donor restrictions until appropriated by the Board of Directors. Accordingly, all investment earnings on the donor-restricted endowment since inception have been classified as net assets with donor restrictions in a manner consistent with the standards prescribed by NYPMIFA.

Lambda Legal’s Board designated endowments consist of a discretionary fund intended to be used for future strategic initiatives with Board approval.

Changes in endowment net assets for the year ended December 31, 2025 are as follows:

	Without Donor Restrictions– Board Designated	With Donor Restrictions			2025 Total
		Term Endowment	Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ 120,914	\$ 252,411	\$ 135,083	\$ -	\$ 508,408
Appropriations from donor-restricted funds	-	(167,119)	(52,324)	-	(219,443)
Change in endowment net assets	120,914	85,292	82,759	-	288,965
Endowment net assets, beginning of year	773,577	1,921,039	356,592	448,090	3,499,298
Endowment net assets, end of year	<u>\$ 894,491</u>	<u>\$ 2,006,331</u>	<u>\$ 439,351</u>	<u>\$ 448,090</u>	<u>\$ 3,788,263</u>

Changes in endowment net assets for the year ended December 31, 2024 are as follows:

	Without Donor Restrictions– Board Designated	With Donor Restrictions			2024 Total
		Term Endowment	Unappropriated Earnings	Endowment Corpus	
Investment activity	\$ 116,164	\$ 203,933	\$ 129,646	\$ -	\$ 449,743
Appropriations from donor-restricted funds	-	(175,376)	(55,364)	-	(230,740)
Change in endowment net assets	116,164	28,557	74,282	-	219,003
Endowment net assets, beginning of year	657,413	1,892,482	282,310	448,090	3,280,295
Endowment net assets, end of year	<u>\$ 773,577</u>	<u>\$ 1,921,039</u>	<u>\$ 356,592</u>	<u>\$ 448,090</u>	<u>\$ 3,499,298</u>

As of December 31, 2025 and 2024, endowment net assets of \$3,788,263 and \$3,499,298, respectively, are included with investments on the accompanying statements of financial position.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Lambda Legal to retain as a fund of perpetual duration. Lambda Legal had no such deficiency in its donor-restricted endowment funds as of December 31, 2025 and 2024. The Board of Directors of Lambda Legal has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 11 – PENSION PLAN

Lambda Legal maintains a qualified defined contribution pension plan covering all eligible employees after 90 days of service. Employees vest over a multiyear period. For the years ended December 31, 2025 and 2024, Lambda Legal’s contributions amounted to approximately \$335,000 and \$257,000, respectively.

LAMBDA LEGAL DEFENSE AND EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 12 – ALLOCATION OF JOINT COSTS

Lambda Legal incurred joint costs of \$439,770 and \$365,916 (other than donated services) for informational materials and activities that were included in fundraising appeals during the years ended December 31, 2025 and 2024, respectively. Of these costs, \$175,512 and \$146,796 were allocated to program expenses and \$264,258 and \$219,120 were allocated to fundraising for the years ended December 31, 2025 and 2024, respectively, as prescribed by U.S. GAAP.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Lambda Legal has a revolving line of credit with a bank with a maximum borrowing amount of \$2,500,000. The interest rate charged by the bank is equal to the Secured Overnight Financing Rate (“SOFR”) plus a spread which the bank may change with 30 days’ notice. Lambda Legal can also request advances based on the Fixed Rate Advance Index or the Term Advance Index, subject to the bank’s approval. The line of credit is secured by Lambda Legal’s investments. No amounts were outstanding at December 31, 2025 and 2024.

Lambda Legal has a collective bargaining agreement expiring June 30, 2029, with approximately 58% and 55% of its employees at December 31, 2025 and 2024, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 9, 2026, the date the financial statements were available to be issued.