

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Financial Report
March 31, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-24
Supplementary information	
Consolidating statement of financial position	25
Consolidating statement of activities	26



RSM US LLP

Independent Auditor's Report

Board of Directors
American Civil Liberties Union Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Civil Liberties Union Foundation, Inc. and Subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of March 31, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

New York, New York
October 21, 2021

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Financial Position

March 31, 2021

(With Summarized Comparative Information as of March 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 132,798,919	\$ 123,725,112
Pledges and contributions receivable, net	43,016,870	28,329,848
Investments	530,796,655	315,043,765
Other assets	1,031,614	1,706,584
Due from affiliates	364,607	3,266,908
Beneficial interest in trusts	2,525,898	976,819
Property and equipment, net of accumulated depreciation and amortization	24,610,585	28,612,242
Total assets	\$ 735,145,148	\$ 501,661,278
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,001,197	\$ 6,855,175
Due to American Civil Liberties Union, Inc.:		
Accrued pension liability	2,252,535	1,772,345
Allocated share of pension liability	8,632,440	16,321,254
Others	17,766,438	580,544
Due to affiliates	48,531,048	40,121,969
Liabilities under split-interest agreements	20,621,687	15,410,910
Bill of Rights Trust held for affiliates	41,525,702	31,070,693
Total liabilities	148,331,047	112,132,890
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions:		
Board-designated	250,890,208	151,943,790
Undesignated	129,013,020	82,909,117
Net assets without donor restrictions	379,903,228	234,852,907
Net assets with donor restrictions	206,910,873	154,675,481
Total net assets	586,814,101	389,528,388
Total liabilities and net assets	\$ 735,145,148	\$ 501,661,278

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended March 31, 2021

(With Summarized Comparative Information for the Year Ended March 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Support:				
Grants and contributions	\$ 139,179,135	\$ 67,246,662	\$ 206,425,797	\$ 159,583,469
Donated legal services	23,748,513	-	23,748,513	14,902,284
Bequests	20,026,852	915,703	20,942,555	16,853,643
Total support	182,954,500	68,162,365	251,116,865	191,339,396
Revenue:				
Rental income	1,083,221	-	1,083,221	1,521,062
Merchandise and book sales	1,192,193	-	1,192,193	727,605
Other income	11,800	-	11,800	65,403
Total revenue	2,287,214	-	2,287,214	2,314,070
Net assets released from restrictions	45,508,340	(45,508,340)	-	-
Total support and revenue	230,750,054	22,654,025	253,404,079	193,653,466
Expenses:				
Program services:				
Legislative	3,159,555	-	3,159,555	2,946,742
Legal	102,084,322	-	102,084,322	67,007,235
Public education	13,834,514	-	13,834,514	12,138,361
Civil liberties policy formulation	900,781	-	900,781	1,154,159
Affiliate support	48,781,087	-	48,781,087	46,800,594
Total program services	168,760,259	-	168,760,259	130,047,091
Supporting services:				
Management and general	9,904,484	-	9,904,484	10,302,907
Fundraising	18,166,328	-	18,166,328	15,900,103
Total supporting services	28,070,812	-	28,070,812	26,203,010
Total expenses	196,831,071	-	196,831,071	156,250,101
Change in net assets before other changes	33,918,983	22,654,025	56,573,008	37,403,365
Other changes in net assets:				
Legal expenses awarded, net	3,046,610	-	3,046,610	5,989,673
Net investment income, gains and (losses)	100,396,962	28,017,077	128,414,039	(21,853,384)
Changes in value of split interest agreements	-	1,564,290	1,564,290	(1,733,332)
Minimum pension liability adjustment	7,687,766	-	7,687,766	(1,772,345)
Total other changes in net assets	111,131,338	29,581,367	140,712,705	(19,369,388)
Change in net assets	145,050,321	52,235,392	197,285,713	18,033,977
Net assets:				
Beginning	234,852,907	154,675,481	389,528,388	371,494,411
Ending	\$ 379,903,228	\$ 206,910,873	\$ 586,814,101	\$ 389,528,388

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended March 31, 2021

(With Summarized Comparative Information for the Year Ended March 31, 2020)

	2021										2020 Summarized Comparative Information
	Program Services					Supporting Services					
	Legislative	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Salaries	\$ 1,070,697	\$ 23,654,304	\$ 4,513,251	\$ 609,019	\$ 6,072,685	\$ 35,919,956	\$ 4,755,166	\$ 7,317,037	\$ 12,072,203	\$ 47,992,159	\$ 43,955,183
Employee benefits	257,414	7,616,581	1,217,981	125,823	1,922,816	11,140,615	1,208,828	2,282,768	3,491,596	14,632,211	12,296,072
Rent and occupancy	17,574	2,453,850	222,383	2,510	310,727	3,007,044	31,542	448,317	479,859	3,486,903	4,008,818
Books	2,166	276,025	22,590	2,552	15,507	318,840	10,616	80,805	91,421	410,261	424,458
Building depreciation	59,533	354,457	93	-	59,610	473,693	119,066	833,647	952,713	1,426,406	1,341,416
Other depreciation and amortization	185,931	371,861	-	-	185,931	743,723	371,861	2,603,028	2,974,889	3,718,612	4,087,933
Equipment rental and maintenance	349,892	1,189,789	475,249	69,418	642,931	2,727,279	474,255	902,193	1,376,448	4,103,727	2,911,977
Grants to affiliates	62,842	8,874,590	3,828	-	5,592,948	14,534,208	-	34,452	34,452	14,568,660	6,056,207
Shared portion of contributions	244,240	27,754,131	-	795	21,742,128	49,741,294	10,333	-	10,333	49,751,627	35,892,843
Shared portion of bequest	64,281	761,825	-	-	5,720,989	6,547,095	-	-	-	6,547,095	2,668,609
Meetings/conferences	1,948	7,161	2,255	-	13,602	24,966	849	9,853	10,702	35,668	1,743,909
Legal fees	82	248,776	16,016	-	23,966	288,840	-	35,349	35,349	324,189	412,217
Donated legal services	-	23,748,513	-	-	-	23,748,513	-	-	-	23,748,513	14,902,284
Accounting fees	-	-	-	-	-	-	231,901	-	231,901	231,901	171,440
Professional fundraising services	-	-	-	-	-	-	-	364,210	364,210	364,210	311,781
Other professional services	417,338	2,220,381	5,326,530	39,224	1,016,267	9,019,740	2,285,008	804,108	3,089,116	12,108,856	10,799,255
Postage and supplies	32,853	7,535	588,587	669	10,975	640,619	12,844	976,368	989,212	1,629,831	1,157,639
Publishing, printing and outreach	6,248	9,173	911,975	1,456	10,731	939,583	44,825	406,341	451,166	1,390,749	1,416,438
Special affiliate subsidies	54,193	541,930	-	-	4,823,177	5,419,300	-	-	-	5,419,300	5,763,804
Telephone	115,580	220,382	72,216	11,962	88,706	508,846	66,124	66,597	132,721	641,567	402,932
Telemarketing	110	22	15,610	-	225	15,967	-	140,492	140,492	156,459	91,729
Travel	12,440	133,648	52,076	7,025	31,560	236,749	8,079	35,646	43,725	280,474	2,712,928
Other grants and awards	163,959	166,698	1,985	-	71,820	404,462	215	468	683	405,145	670,191
Other expenses	40,234	1,472,690	391,889	30,328	423,786	2,358,927	272,972	824,649	1,097,621	3,456,548	2,050,038
Total – 2021	\$ 3,159,555	\$ 102,084,322	\$ 13,834,514	\$ 900,781	\$ 48,781,087	\$ 168,760,259	\$ 9,904,484	\$ 18,166,328	\$ 28,070,812	\$ 196,831,071	
Total – 2020	\$ 2,946,742	\$ 67,007,235	\$ 12,138,361	\$ 1,154,159	\$ 46,800,594	\$ 130,047,091	\$ 10,302,907	\$ 15,900,103	\$ 26,203,010	\$ 156,250,101	

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended March 31, 2021

(With Summarized Comparative Information for the Year Ended March 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 197,285,713	\$ 18,033,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,145,018	5,429,349
Discount on pledges receivable	1,480,050	(692,214)
Changes in value of split interest agreements	(1,564,290)	1,733,332
Net realized and unrealized (gains) losses on investments, net of adjustments for affiliate holdings	(128,554,025)	25,619,859
Minimum pension liability adjustment	(7,687,766)	1,772,345
Cash received on contributions restricted for endowment	(752,669)	(196,644)
Contributions subject to split-interest agreements	(2,702,306)	(2,614,905)
Changes in operating assets and liabilities:		
Decrease in due from/to affiliates	11,311,380	3,457,054
(Increase) decrease in pledges and contributions receivable	(16,167,072)	16,149,134
Decrease other assets	674,970	160,609
Increase (decrease) in accounts payable and accrued expenses	2,146,022	(1,171,319)
(Decrease) increase in due to American Civil Liberties Union, Inc. – accrued pension liability	479,142	4,676,336
Increase (decrease) in due to American Civil Liberties Union, Inc. – other	17,185,894	(20,365,719)
Decrease in Bill of Rights Trust held for affiliates, net of unrealized gains/ losses	(2,170,685)	(518,407)
Net cash provided by operating activities	76,109,376	51,472,787
Cash flows from investing activities:		
Proceeds from sale of investments	170,344,630	107,942,626
Purchase of investments	(244,923,171)	(110,163,992)
Sale/transfers of property and equipment	-	(1,395,214)
Purchase of property and equipment	(1,143,361)	(2,911,132)
Net cash used in investing activities	(75,721,902)	(6,527,712)
Cash flows from financing activities:		
Cash received on contributions restricted for endowment	752,669	196,644
Contributions subject to split-interest agreements	2,702,306	2,614,905
Payments on split-interest agreements	(1,817,715)	(1,650,878)
New annuities	7,049,073	2,024,446
Net cash provided by financing activities	8,686,333	3,185,117
Net change in cash and cash equivalents	9,073,807	48,130,192
Cash and cash equivalents:		
Beginning	123,725,112	75,594,920
Ending	\$ 132,798,919	\$ 123,725,112
Supplemental disclosure of cash flow information:		
Change in investments for Bill of Rights Trust held for affiliates	\$ 12,625,694	\$ (2,849,757)

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Organization

The American Civil Liberties Union Foundation, Inc. (the ACLU Foundation or the Foundation) was established as a nonprofit corporation to preserve and promote individual civil rights and civil liberties as guaranteed by the United States Constitution and the nation's civil rights laws.

The ACLU Foundation is affiliated with the American Civil Liberties Union, Inc. (the Union), an organization that is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code (IRC).

The ACLU Foundation and the Union are collectively referred to as the ACLU.

Both the ACLU Foundation and the Union are affiliated with 50 nonprofit, tax-exempt organizations in every state in the United States, the District of Columbia and Puerto Rico. All affiliates include reference to the American Civil Liberties Union or some variation thereof in their names (the affiliates). The affiliates also operate through related Section 501(c)(3) and Section 501(c)(4) organizations. The affiliates share the same overall mission and purpose as the ACLU, but their programs focus more on local or regional issues, while the ACLU's program activities are focused on overarching civil liberties issues and initiatives. Although the ACLU plays no direct role in the governance of and, except in very limited instances, does not share employees with, the affiliates, the organizations jointly fundraise and work together on certain programs and the ACLU, through either the Union or the ACLU Foundation, as appropriate, at its sole discretion provides targeted financial and other support to the affiliates.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation: The accompanying consolidated financial statements include the accounts and activities of the ACLU Foundation, Inc. and its subsidiary, 915 15th Street, LLC (the LLC) (collectively referred to as the Foundation). The LLC is a single-member limited liability company of which the ACLU Foundation is the sole member. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

The accounts and activities of the Union and the affiliates are not included in these consolidated financial statements.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held temporarily in the investment portfolio are included in investments.

Investments and related income, gains and losses: Investments are reported at fair value in the consolidated statements of financial position. The consolidated statement of activities include net investment income consisting of interest and dividend income, realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis. For the years ended March 30, 2021 and 2020, net investment income, gains and losses, is reported net of direct investment expenses of \$1,643,798 and \$1,492,660, respectively.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement, level inputs are defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the ACLU Foundation has the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities, mutual funds and exchange-traded funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include corporate debt, U.S. government debt and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value of financial instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments:

Cash and cash equivalents: The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Investments: The fair value is determined as described in Note 5.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of market and credit risk: The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments.

Exposure to credit risk is reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2021, the majority of the Foundation's money market accounts were in funds that invest in short-term direct government obligations, such as U.S. Treasury Bills, that are backed by the full faith and credit of the U.S. government.

In order to control market risk, the Foundation has an investment committee that reviews and updates investment policy statements for the organization's various investment portfolios, oversees its investment portfolio and engages the services of investment advisors and managers to invest and manage the assets within the guidelines of the respective investment policy statements and perform ongoing due diligence and reporting. The Foundation monitors the market risk of its investment portfolio via ongoing review of asset allocation formulas and analysis of investment values as reported by investment custodians and managers.

The clearing and depository operations for the Foundation's portfolio of investments held in managed accounts are provided principally by three financial institutions that held approximately 93% and 91% of the total portfolio at March 31, 2021 and 2020, respectively.

Property and equipment: Property and equipment (consisting of office buildings, furniture, fixtures, office equipment and software) are carried at cost, less accumulated depreciation or amortization. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the respective assets.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of any asset may not be recoverable and, if so, the carrying value is reduced to the estimated fair value. During the years ended March 31, 2021 and 2020, no impairment indicators were identified.

Net assets: The Foundation reports information regarding its financial position and activities in two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Foundation and have no donor restrictions associated with them. A portion of net assets without donor restrictions has been designated by the board of directors for certain purposes. Net assets with donor restrictions consist of contributions that are restricted by donors for a specific time period and/or purpose. Generally, the donors of these assets permit the use of all or part of the income earned related investments for general or specific purpose.

Endowment: When the ACLU Foundation receives a contribution and the donor restricts the ACLU Foundation from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as with donor restrictions. The majority of the ACLU Foundation's endowment funds are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust.

The ACLU Foundation is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA 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. The remaining portion of the endowment fund that is not classified as held in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the ACLU Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and related receivables: The ACLU Foundation reports contributions as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recorded as pledges and contributions receivable in the period the promise is received. Payments received in subsequent periods on unconditional promises to give, such as payments on multi-year gifts, are not recognized as revenue; rather, these are recorded as decreases in the corresponding pledges and contributions receivable balance. Pledges and contributions receivable due within one year are recorded at their net realizable value. Pledges and contributions receivable due in more than one year are recorded at the present value of their net realizable value, using applicable risk-adjusted interest rates to discount the amounts. Allowances for doubtful pledges and contributions receivable are provided by management based on the ACLU Foundation's experience with the donors and their ability to pay. No allowance for doubtful accounts was deemed necessary as of March 31, 2021 and 2020.

Contributions of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. 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 reported in the consolidated statement of activities as net assets released from restrictions.

Contributions that are to be maintained in perpetuity are recorded as with donor restrictions support.

Contributions of noncash assets are recorded at fair value in the period received.

Certain contributions and bequests revenue are subject to revenue sharing agreements with affiliates. The ACLU Foundation's sharing rules specify the circumstances under which revenue shall be shared and the methodology for determining the specific portion of various categories of revenue that will be shared among the ACLU Foundation and the affiliates. Shared revenues are reported at gross amounts and the affiliates' share of the revenues are included as affiliate support expense in the consolidated statement of activities. The ACLU Foundation reports the affiliates' share of revenues as expenses when cash is received from the donor.

Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills.

A number of individuals have made a contribution of their time to serve on the ACLU Foundation's board. The value of their contributed time is not reflected in these consolidated financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Bequests: The ACLU Foundation is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The ACLU Foundation's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Donor concentration: Approximately 23% of the total grants, contributions and bequests revenue of \$227,368,352 were provided by five donors for the year ended March 31, 2021. Approximately 20% of the total grants, contributions and bequests revenue of \$176,437,112 were provided by three donors for the year ended March 31, 2020. In addition, approximately 51% of the gross pledges and contributions receivable of \$45,190,465 were due from two donors at March 31, 2021 and approximately 42% of the gross pledges and contributions receivable of \$29,023,393 were due from three donors at March 31, 2020.

Functional expenses: The costs of providing various program and supporting services of the ACLU Foundation have been summarized on a functional basis in the accompanying consolidated financial statements. Each department within the ACLU Foundation will be allocated to its programmatic or supporting services based on a total analysis of their respective FTE's and a determination of what functions they perform. Certain departments, such as legal department expenses are determined to be 100% programmatic and are reflected therefore under legal programs. Other departments, such as executive or administrative/finance are largely supportive in nature and reflected largely under management and general. Each year, the functional allocations are reviewed and modified based on initiatives and organizational changes to best reflect the activities within the ACLU Foundation for a specified year.

Grants to affiliates: The ACLU Foundation recognizes grants to affiliates as expense when a formal agreement has been signed by both the ACLU Foundation and the affiliate, and any conditions set forth are met by the affiliate.

Legal awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976 and similar laws, legal fees and expenses may be awarded in certain legal actions. The amounts of these awards are the result of court determinations and/or negotiations between the parties to the matters. Management anticipates that the ACLU Foundation will be the recipient of legal awards of a substantial amount, but is unable to determine the amounts receivable with any degree of accuracy. Accordingly, the ACLU Foundation's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Income taxes: The ACLU Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. IRC and is subject to taxes on unrelated business income, as applicable. The LLC is treated as a disregarded (tax) entity.

The ACLU Foundation files tax and information returns with the Internal Revenue Service (IRS) and with various states.

Management evaluated the Foundation's tax positions and concluded that the organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying consolidated financial statements. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2018, which is the standard statute of limitations look-back period.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Prior year summarized comparative information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or by functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements as of and for the year ended March 31, 2020, from which the summarized information was derived.

Evaluation of subsequent events: The Foundation evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are issued, which is October 21, 2021.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of society throughout the world. The continued spread of COVID-19 may adversely impact the local, regional, national, and world economies. The extent to which COVID-19 impacts the Foundation's activities will depend on future developments, which are highly uncertain and cannot be predicted. Although to date, COVID-19 has not had a material impact on the Foundation, management cannot presently estimate the overall long-term operational and financial impact to the Foundation.

Recently issued accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this Update is permitted for all entities. The Foundation has not evaluated the impact that adoption will have on the consolidated financial statements.

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*. The amendments address presentation and disclosure of contributed nonfinancial assets. Contribution and nonfinancial asset are both defined terms in the Master Glossary of the Codification and are understood in practice. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Foundation has not evaluated the impact that adoption will have on the consolidated financial statements.

Recently adopted accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. All other entities should apply the guidance in update 2014-09 to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. The Foundation has adopted this ASU for the year ended March 31, 2021, with no impact to the reported net assets.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3. Related-Party Transactions

Amounts due from and to affiliates represent receivables and payables related to affiliate support and revenue sharing. Amounts due to affiliates include the portion of contributions that are shared in accordance with the Foundation's sharing rules and payments related to certain affiliate subsidy programs. During the years ended March 31, 2021 and 2020, the Foundation had expenses to affiliates for grants to affiliates, the shared portion of contributions and bequests and the special affiliate subsidies of \$76,286,679 and \$50,381,463, respectively.

During the years ended March 31, 2021 and 2020, the Foundation received approximately \$293,000 and \$377,000 for both years from the New York Civil Liberties Union, Inc. and the New York Civil Liberties Union Foundation, Inc. in payments for the use of space occupied at the Foundation's offices at 125 Broad Street. These payments include charges for cleaning and other customary services.

Certain expenses, predominantly salaries and employee benefits, are shared between the Union and the Foundation. Expenses paid by the Union and allocated to the Foundation and recognized in the accompanying consolidated financial statements amounted to \$23,614,150 and \$18,995,682 during the years ended March 31, 2021 and 2020, respectively. The Foundation also recognized rental income from the Union of approximately \$293,285 and \$233,000 for the years ended March 31, 2021 and 2020, respectively.

Note 4. Pledges and Contributions Receivable

Pledges and contributions receivable which are expected to be collected after one year have been discounted to net present value at rates ranging from 3.02% to 4.10% and are reflected in the consolidated financial statements at their net realizable value.

Pledges and contributions receivable are comprised of the following at March 31:

	2021	2020
Receivable due within one year or less	\$ 21,954,630	\$ 17,820,866
Receivable due in more than one year to five years	23,235,835	10,702,527
Receivable due in over five years	-	500,000
	<u>45,190,465</u>	<u>29,023,393</u>
Less discount to present value	(2,173,595)	(693,545)
	<u>\$ 43,016,870</u>	<u>\$ 28,329,848</u>

Approximately \$13,600,000 and \$10,600,000 of pledges and contributions receivable as of March 31, 2021 and 2020, respectively, are the affiliates' share of these revenues which are based on the ACLU Foundation's revenue sharing rules. These amounts will be recognized as expenses by the ACLU Foundation upon the receipt of cash from donors.

For the year ending March 31, 2021, the Foundation received approximately \$2,000,000 in new conditional contributions. For the year ending March 31, 2021, the Foundation recognized approximately \$240,000 in revenue from conditional contributions as barriers were met. At March 31, 2021, there is approximately \$2,270,000 in conditional contributions which has not met the barriers to be recognized as revenue. Revenues on these grants and contributions will be recognized by the Foundation in future periods as the barriers are met.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements

The following tables present the Foundation's investments that are measured at fair value on a recurring basis.

	Fair Value Measurements at March 31, 2021			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 5,651,711	\$ 5,651,711	\$ -	\$ -
Equities	140,280,325	140,280,325	-	-
Corporate bonds (by S&P rating):				
AAA – A-	19,255,752	-	19,255,752	-
BBB – BBB+	546,572	-	546,572	-
Total corporate bonds	19,802,324	-	19,802,324	-
U.S. Treasury Notes, agency and related	3,735,345	-	3,735,345	-
Mutual funds:				
Large-cap U.S. equity	3,017,451	3,017,451	-	-
Small-/mid-cap U.S. equity	415,680	415,680	-	-
International equity	1,744,442	1,744,442	-	-
Short-term bond	9,187,428	9,187,428	-	-
Intermediate-term bond	3,678,996	3,678,996	-	-
High-yield bond	429,478	429,478	-	-
International fixed income	1,440,979	1,440,979	-	-
Other bond	662,972	662,972	-	-
Total mutual funds	20,577,426	20,577,426	-	-
Common trust funds ⁽¹⁾ :				
Large-cap U.S. equity	6,686,251	-	-	-
Small-/mid-cap U.S. equity	2,672,528	-	-	-
International equity	6,034,401	-	-	-
Intermediate-term bond	1,567,151	-	-	-
High-yield and other bonds	2,823,217	-	-	-
Real estate and hard assets (commodities)	1,525,022	-	-	-
Total common trust funds	21,308,570	-	-	-
Exchange-traded funds:				
Large-cap U.S. equity	1,970,553	1,970,553	-	-
Small-/mid-cap U.S. equity	1,295,729	1,295,729	-	-
International equity	2,196,477	2,196,477	-	-
Short-term, long-term and intermediate-term bonds	11,939,743	11,939,743	-	-
Real estate and hard assets (commodities)	585,837	585,837	-	-
Total exchange-traded funds	17,988,339	17,988,339	-	-
Private equity funds – multi strategy ⁽¹⁾	66,624,408	-	-	-
Proprietary equity funds – multi strategy ⁽¹⁾	234,828,207	-	-	-
	\$ 530,796,655	\$ 184,497,801	\$ 23,537,669	\$ -

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

	Fair Value Measurements at March 31, 2020			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 9,498,814	\$ 9,498,814	\$ -	\$ -
Equities	86,610,141	86,610,141	-	-
Corporate bonds (by S&P rating):				
AAA – A-	2,622,139	-	2,622,139	-
BBB – BBB+	2,110,046	-	2,110,046	-
Total corporate bonds	4,732,185	-	4,732,185	-
U.S. Treasury Notes, agency and related	10,808,755	-	10,808,755	-
Mutual funds:				
Large-cap U.S. equity	2,053,614	2,053,614	-	-
Small-/mid-cap U.S. equity	71,906	71,906	-	-
International equity	367,924	367,924	-	-
Intermediate-term bond	1,311,295	1,311,295	-	-
High-yield bond	103,267	103,267	-	-
International fixed income	856,889	856,889	-	-
Other bond	3,376,788	3,376,788	-	-
Total mutual funds	8,141,683	8,141,683	-	-
Common trust funds ⁽¹⁾ :				
Large-cap U.S. equity	3,616,126	-	-	-
Small-/mid-cap U.S. equity	1,305,030	-	-	-
International equity	3,567,243	-	-	-
Intermediate-term bond	357,824	-	-	-
High-yield and other bonds	3,402,194	-	-	-
Real estate and hard assets (commodities)	1,232,330	-	-	-
Total common trust funds	13,480,747	-	-	-
Exchange-traded funds:				
Large-cap U.S. equity	422,710	422,710	-	-
Small-/mid-cap U.S. equity	569,630	569,630	-	-
International equity	1,310,373	1,310,373	-	-
Short-term, long-term and intermediate-term bonds	4,085,384	4,085,384	-	-
Real estate and hard assets (commodities)	560,358	560,358	-	-
Total exchange-traded funds	6,948,455	6,948,455	-	-
Private equity funds – multi strategy ⁽¹⁾	31,486,767	-	-	-
Proprietary equity funds – multi strategy ⁽¹⁾	143,336,218	-	-	-
	<u>\$ 315,043,765</u>	<u>\$ 111,199,093</u>	<u>\$ 15,540,940</u>	<u>\$ -</u>

(1) In accordance with the Fair Value measurements topic, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Equities, money market funds and exchange-traded funds listed on a national securities exchange or reported on the NASDAQ global market are stated at the last reported sales or trade price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. government debt and corporate bonds are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Investments in mutual funds are stated at fair value based on the last quoted evaluation price or NAV. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level 1 in the fair value hierarchy.

Investments in common trust funds and proprietary equity funds are valued at fair value based on the applicable percentage ownership of the underlying net assets on the measurement date. In determining fair value, the Foundation utilizes, as a practical expedient, the NAV or equivalent provided by the fund managers (NAV of funds). The underlying common trust funds and proprietary equity funds value securities and other financial instruments on a fair value. The estimated fair values of certain investments of the underlying common trust funds or proprietary equity funds, which may include private placements and other securities for which prices are not readily available, are determined by the trustee of the common trust funds or sponsor of the proprietary equity funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Investments that use the practical expedient are not classified within the fair value hierarchy.

The Foundation assesses the fair value hierarchy levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers among Levels 1, 2 and 3 during fiscal years 2021 or 2020.

The Foundation has the ability to redeem its investments in common trust funds on a daily or monthly basis. The objectives of the investments in common trust funds are to approximate as closely as practicable or to provide total investment returns that are in excess of the performance of the following benchmarks over time with certain risk parameters:

	Benchmark
Large-cap U.S. equity	S&P 500 Index
Small-/mid-cap U.S. equity	Russell 2000 Index, S&P Mid-Cap 400 Index
International equity	MSCI EAFE Index, MSCI Emerging Markets
Intermediate-term bond	Barclays U.S. Aggregate Bond Index, Barclays U.S. Intermediate Bond Index
High-yield and other bonds	Barclays U.S. Treasury Inflation Protected Securities Index, Barclays Corporate High-Yield 2% Issuer Cap Index
Real estate and hard assets (commodities)	Dow Jones U.S. Select REIT Index, Dow Jones-UBS Commodity Total Return Index

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

The investment in private equity funds which the Foundation does not have the ability to redeem the investments on March 31, 2021, or in the near term, which is defined as 90 days or less from March 31, 2021. The investment objective of the private equity funds are to generate consistent capital appreciation over the long term, with relatively low volatility and a low correlation with traditional equity and fixed income markets.

The following table summarizes the investment strategies and liquidity provision of investments in the private equity and proprietary equity funds valued at the NAV as provided by the fund managers as of March 31, 2021:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lock Up Period
Private equity:					
Sequoia	\$ 37,162,341	\$ -	Annual	NA	NA*
SRA III	18,197,860	8,820,518	None	NA	NA
SRA IV	11,264,207	21,326,333	None	NA	NA
Common trust	21,308,570	-	Daily	NA	NA
Multi strategy	234,828,207	-	Monthly	7 Business days	None
	<u>\$ 322,761,185</u>	<u>\$ 30,146,851</u>			

*While 5% can be drawn down annually, full amount cannot be transferred until donor stipulation met.

The investments are held for the following purposes:

	2021	2020
Bill of Rights Trust, inclusive of endowments held in perpetuity of \$50,762,005 and \$50,009,336 at March 31, 2021 and 2020, respectively (Note 9)	\$ 119,827,517	\$ 97,518,512
Split-interest agreements (Note 7)	38,651,923	23,769,613
Other endowment, special projects, program support and operating reserves	372,317,215	193,755,640
	<u>\$ 530,796,655</u>	<u>\$ 315,043,765</u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6. Property and Equipment

Property and equipment consist of the following:

	2021	2020	Estimated Useful
Land, office buildings and office condominium	\$ 58,298,383	\$ 57,410,344	10 to 50 years
Furniture, fixtures and office equipment	4,700,784	4,700,784	3 to 5 years
Software	16,169,960	15,914,638	3 to 15 years
	<u>79,169,127</u>	<u>78,025,766</u>	
Less accumulated depreciation and amortization	(54,558,542)	(49,413,524)	
	<u>\$ 24,610,585</u>	<u>\$ 28,612,242</u>	

Note 7. Split-Interest Agreements

The ACLU Foundation receives contributions through its charitable gift annuity program whereby in exchange for gifts of cash or securities, the ACLU Foundation promises to pay a fixed annual amount for life to the annuitant.

The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue.

Upon the death of the annuitant, any balance of the amount in the split-interest account reverts to the ACLU Foundation.

The ACLU Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately \$2,100,000 in accordance with the agreements as of March 31, 2021.

In addition, the ACLU Foundation has nine unitrust agreements, on which the income is paid to the donor for life. Upon the death of the donor, the balance in the trust account shall be distributed to the ACLU Foundation for its general purposes.

Assets and liabilities related to the ACLU Foundation's split-interest agreements are as follows:

	2021	2020
Assets – investments	\$ 38,651,923	\$ 23,769,613
Liabilities under split-interest agreements	20,621,687	15,410,910
	<u>\$ 18,030,236</u>	<u>\$ 8,358,703</u>

Asset balances at March 31, 2021 and 2020, exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the ACLU Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements on the accompanying consolidated statement of financial position.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Split-Interest Agreements (Continued)

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 2.5% to 8.5% and applicable Annuity Mortality Tables (either 1983A, 2000 or 2012AR).

Beneficial interests in trusts (BITs) are recorded based on the present value of the estimated future receipts from the trusts, using discount rates ranging from 1.32% to 5.34%. These rates approximate the rates of return on the assets held in the trusts, and are commensurate with the risks that management associates with the ultimate collection of the trusts. The initial gift and any subsequent adjustments to the non-perpetual BITs' carrying value are recognized as temporarily restricted contributions. The temporary restriction relates to the extended time period over which the gift is expected to be received and may also include purpose restrictions to benefit specific ACLU Foundation programs.

Adjustments to reflect revaluations of the present value of estimated future payments and changes in actuarial assumptions are recognized in the consolidated statement of activities as changes in value of split-interest agreements.

Note 8. Liquidity and Availability of Resources

The ACLU Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of the balance sheet date, the ACLU Foundation holds approximately 15 months of operating expenses in cash, cash equivalents and liquid investment assets. The following chart reflects the ACLU Foundation's financial assets available as of the balance sheet date for general expenditures over the next 12 months.

	2021	2020
Financial assets at year-end:		
Cash, cash equivalents, investment assets, and pledges without donor restrictions	\$ 675,792,205	\$ 447,515,419
Less investments unavailable within one year due to restrictions on funds by the board, donors, or other commitments	(469,680,482)	(323,584,706)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 206,111,723</u>	<u>\$ 123,930,713</u>

The ACLU Foundation has a board designated funds totaling \$250,890,208 and \$151,943,790 as of March 31, 2021 and 2020, respectively. Although the ACLU Foundation does not intend to spend from its board designated funds other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board designated funds could be made available if necessary.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 9. The Bill of Rights Trust and Other Endowments

In 1997, the ACLU Foundation and the Section 501(c)(3) arms of the affiliates (the Affiliate Foundations) established the Bill of Rights Trust (BORT). The purpose of BORT, a portion of which is an endowment fund of the ACLU Foundation, is to build an enduring endowment to carry out the work of the ACLU and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States of America. BORT has 100,000,000 authorized units, which are issued to or among the ACLU Foundation and Affiliate Foundations based upon their respective interests in BORT. Unit shares have a unit value based upon the fair value of the net assets of BORT divided by the total number of unit shares outstanding. BORT permits for annual distributions to the ACLU Foundation and Affiliate Foundations in accordance with the ACLU Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share. For the years ended March 31, 2021 and 2020, BORT allowed for a potential distribution amount equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2020 and 2019, respectively. Each unit holder, including the ACLU Foundation and the participating Affiliate Foundations, must establish that it has determined the appropriation to be prudent before the distribution is disbursed. In the years ended March 31, 2021 and 2020, there was a distribution of \$770,000 and \$778,000, respectively.

The investment goal of the endowment fund is to invest assets in a prudent manner that will balance reasonable annual distributions to the ACLU Foundation and Affiliate Foundations with long-term growth in the value of the assets of BORT.

At March 31, 2021 and 2020, BORT comprised the following accounts and amounts that are included in the consolidated statement of financial position:

	2021	2020
Assets:		
Investments	\$ 119,827,517	\$ 97,518,512
Other assets	155,205	190,586
	<u>\$ 119,982,722</u>	<u>\$ 97,709,098</u>
Liabilities and net assets:		
Held for affiliate foundations	\$ 41,525,702	\$ 31,070,693
Net assets with donor restrictions	27,695,015	16,629,069
Net assets with donor restrictions – held in perpetuity	50,762,005	50,009,336
	<u>\$ 119,982,722</u>	<u>\$ 97,709,098</u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 9. The Bill of Rights Trust and Other Endowments (Continued)

The endowment-related activities of the ACLU Foundation, which are comprised principally of the endowment-related activities of BORT, are summarized below.

	2021			2020		
	With Donor Restrictions	Held in Perpetuity	Total With Donor Restrictions	With Donor Restrictions	Held in Perpetuity	Total With Donor Restrictions
Endowment net assets, beginning of year	\$ 20,092,017	\$ 71,404,336	\$ 91,496,353	\$ 26,636,297	\$ 71,207,692	\$ 97,843,989
Investment return:						
Interest and dividends	523,050	-	523,050	920,212	-	920,212
Net realized and unrealized gains (losses) on investments	27,736,244	-	27,736,244	(6,012,122)	-	(6,012,122)
Investment fees and expenses	(678,771)	-	(678,771)	(594,370)	-	(594,370)
Net investment return	27,580,523	-	27,580,523	(5,686,280)	-	(5,686,280)
Other changes during the year:						
Contributions	-	752,669	752,669	-	196,644	196,644
Appropriation of endowment assets for expenditures	(880,000)	-	(880,000)	(858,000)	-	(858,000)
Total	(880,000)	752,669	(127,331)	(858,000)	196,644	(661,356)
Endowment net assets, end of year	\$ 46,792,540	\$ 72,157,005	\$ 118,949,545	\$ 20,092,017	\$ 71,404,336	\$ 91,496,353

Note 10. Commitments and Contingencies

The Foundation entered into a long-term lease for a new office space in October 2017. This lease agreement expires on July 31, 2025, with four months' rent credit provided. Below is the future aggregate minimum commitment under the lease.

Years ending March 31:	
2022	\$ 683,698
2023	683,698
2024	683,698
2025	683,698
2026	227,899
	<u>\$ 2,962,691</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease. As of March 31, 2021 and 2020, there was \$126,071 and \$155,166, respectively, of deferred rent included in accounts payable and accrued expenses.

The Foundation is involved in other legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the consolidated financial position of the Foundation or the consolidated results of its activities.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

On October 1, 2020, the American Civil Liberties Union Foundation, Inc. entered into a revolving line of credit agreement with JPMorgan Chase Bank for a secured committed line in the amount of \$30,000,000 secured by a blanket lien on all assets. The facility can be drawn and paid down at any time until October 1, 2021, when it matures and any amounts outstanding will be payable. The facility has a variable interest rate of LIBOR plus 175 basis points for LIBOR-based loans or prime rate for CB Floating Rate Advance rate-based loans. There were no loans outstanding under this facility at March 31, 2021.

The credit facility requires that the organization maintain unrestricted cash and investments to funded debt of a least 2.0 to 1.0. The organization is not aware of any instances of noncompliance with financial and non-financial covenants as of March 31, 2021.

Note 11. Retirement Plans

The Foundation participates in the American Civil Liberties Union Retirement Plan (the Pension Plan), a retirement plan covering eligible employees of the Union, the Foundation and their affiliates.

The Pension Plan is a defined benefit plan covering those employees who have at least one year of service or at least 1,000 hours worked per year and are at least 21 years of age. Benefits are based on service to date on an average of career earnings. The Union's policy is to fund pension costs by contributing at least the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA). The Union charges the Foundation its share of the net periodic pension costs. For the years ended March 31, 2021 and 2020, the cost incurred by the Foundation in connection with the Pension Plan amounted to \$2,253,535 and \$1,772,345, respectively.

On January 1, 2015, the Pension Plan was amended and restated to include, among other things, a provision for additional contribution due on withdrawal or freezing of benefits by an employer. The liability attributed to the employer or former employer is determined based upon the sum of the present value of the accrued benefits for each of the participants associated with the employer or former employer determined as of the last day of the plan year preceding the date as of which the withdrawal contribution is calculated. Accordingly, as of March 31, 2021 and 2020, the Foundation recognized \$8,632,440 and \$16,321,254, respectively, of withdrawal contribution liability due to the Union. Disclosures on the funded status and other information on the Pension Plan are included in the consolidated financial statements of the ACLU.

The Union implemented a soft freeze of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009, enrolled in a new Defined Contribution (DC) 401(k) plan. The new DC plan includes an employer contribution of 2% and an employer match of 100% of the first 1% of the employee's contribution and 50% of the next 5% of an employee's contribution, for a total match of 3.5% and a total employer contribution of 5.5%. The soft freeze applies only to employees hired on or after April 1, 2009, and does not affect current plan participants or employees hired before March 31, 2009, but not yet in the plan. The Foundation contributed \$1,819,500 in 2021 and \$1,363,581 in 2020.

Eligible Foundation employees may also participate in the ACLU 401(k) plan (the 401(k) Plan), which is a 401(k) salary-reduction plan covering substantially all employees of the Union, the Foundation, and their affiliates, hired on or before March 31, 2009. Under the 401(k) Plan, employees may voluntarily contribute up to 80% of their pre-tax compensation to the 401(k) Plan subject to IRS dollar limits. There is no employer match or other contributions.

Effective April 8, 2011, eligible employees of the Foundation can participate in the unfunded, nonqualified 457(b) plan maintained by the Union.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 12. Net Assets

Net assets comprise the following as of March 31:

	2021	2020
Without donor restrictions:		
Undesignated	\$ 129,013,020	\$ 82,909,117
Board-designated:		
Litigation Fund	30,237,809	27,074,346
California Annuity Fund	3,538,186	1,799,313
Annuity Reserve	12,221,652	7,268,556
Organizational Fund	36,049,412	20,914,226
Jacobs Affiliate Development Fund	14,863,636	10,399,835
Dividend Distribution Fund	148,172,761	78,425,086
Presidential Prize temp	-	(10,000)
John Adams Fund	5,806,752	6,072,428
Total board-designated	<u>250,890,208</u>	<u>151,943,790</u>
Total without donor restrictions	<u>379,903,228</u>	<u>234,852,907</u>
With donor restrictions:		
Bill of Rights Trust and other endowments	46,792,540	20,092,017
Trusts	5,508,945	1,974,314
Other time and purpose restrictions	82,452,383	61,204,814
Bill of Rights Trust and other endowments – held in perpetuity	72,157,005	71,404,336
Total with donor restrictions	<u>206,910,873</u>	<u>154,675,481</u>
	<u>\$ 586,814,101</u>	<u>\$ 389,528,388</u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2021, by incurring expenses satisfying restricted purposes, or by the occurrence of other events specified by donors as follows:

	<u>2021</u>
Special projects:	
Voting Rights	\$ 8,245,416
Capital Punishment	1,679,897
National Prison	2,103,026
Disability Rights	54,403
Criminal Law Reform and Smart Justice	3,405,651
Immigrants' Rights	8,265,072
Reproductive Freedom	3,340,600
Women's Rights	1,896,732
National Security	571,894
LGBT/Marriage Equality	3,930,398
Racial Justice	3,729,296
Other special projects	<u>2,279,455</u>
Total special projects	39,501,840
Bill of Rights Trust and other endowments	880,000
Time-restricted gifts	<u>5,126,500</u>
Total released from restrictions	<u><u>\$ 45,508,340</u></u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Financial Position

March 31, 2021

See Independent Auditor's Report

	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 132,779,888	\$ 19,031	\$ -	\$ 132,798,919
Pledges and contributions receivable, net	43,016,870	-	-	43,016,870
Investments	530,796,655	-	-	530,796,655
Other assets	1,031,614	-	-	1,031,614
Due from affiliates	364,607	-	-	364,607
Due from the LLC	10,187,358	-	(10,187,358)	-
Investment in 915 15th Street, LLC	(2,654,865)	-	2,654,865	-
Beneficial interest in trusts	2,525,898	-	-	2,525,898
Property and equipment, net of accumulated depreciation and amortization	17,031,211	7,579,374	-	24,610,585
Total assets	\$ 735,079,236	\$ 7,598,405	\$ (7,532,493)	\$ 735,145,148
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 8,935,285	\$ 65,912	\$ -	\$ 9,001,197
Due to the ACLU Foundation	-	10,187,358	(10,187,358)	-
Due to the American Civil Liberties Union, Inc.:				
Accrued pension liability	2,252,535	-	-	2,252,535
Allocated share of pension liability	8,632,440	-	-	8,632,440
Other	17,766,438	-	-	17,766,438
Due to affiliates	48,531,048	-	-	48,531,048
Liabilities under split-interest agreements	20,621,687	-	-	20,621,687
Bill of Rights Trust held for affiliates	41,525,702	-	-	41,525,702
Total liabilities	148,265,135	10,253,270	(10,187,358)	148,331,047
Commitments and contingencies				
Net assets:				
Net assets without donor restrictions:				
Board-designated	250,890,208	-	-	250,890,208
Cumulative minimum pension liability adjustment	-	-	-	-
Undesignated	129,013,020	(2,654,865)	2,654,865	129,013,020
Net assets without donor restrictions	379,903,228	(2,654,865)	2,654,865	379,903,228
Net assets with donor restrictions	206,910,873	-	-	206,910,873
Total net assets	586,814,101	(2,654,865)	2,654,865	586,814,101
Total liabilities and net assets	\$ 735,079,236	\$ 7,598,405	\$ (7,532,493)	\$ 735,145,148

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Activities Year Ended March 31, 2021

	American Civil Liberties Union Foundation, Inc.			915 15th Street, LLC		Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:								
Support:								
Grants and contributions	\$ 139,179,135	\$ 67,246,662	\$ 206,425,797	\$ -	\$ -	\$ 139,179,135	\$ 67,246,662	\$ 206,425,797
Donated legal services	23,748,513	-	23,748,513	-	-	23,748,513	-	23,748,513
Bequests	20,026,852	915,703	20,942,555	-	-	20,026,852	915,703	20,942,555
Total support	182,954,500	68,162,365	251,116,865	-	-	182,954,500	68,162,365	251,116,865
Revenue:								
Rental income	293,285	-	293,285	789,936	-	1,083,221	-	1,083,221
Merchandise and book sales	1,192,193	-	1,192,193	-	-	1,192,193	-	1,192,193
Other income	11,800	-	11,800	-	-	11,800	-	11,800
Total revenue	1,497,278	-	1,497,278	789,936	-	2,287,214	-	2,287,214
Net assets released from restrictions	45,508,340	(45,508,340)	-	-	-	45,508,340	(45,508,340)	-
Total support and revenue	229,960,118	22,654,025	252,614,143	789,936	-	230,750,054	22,654,025	253,404,079
Expenses:								
Program services:								
Legislative	3,159,555	-	3,159,555	-	-	3,159,555	-	3,159,555
Legal	102,084,322	-	102,084,322	-	-	102,084,322	-	102,084,322
Public education	13,834,514	-	13,834,514	-	-	13,834,514	-	13,834,514
Civil liberties policy formulation	900,781	-	900,781	-	-	900,781	-	900,781
Affiliate support	48,781,087	-	48,781,087	-	-	48,781,087	-	48,781,087
Total program services	168,760,259	-	168,760,259	-	-	168,760,259	-	168,760,259
Supporting services:								
Management and general	8,627,725	-	8,627,725	1,276,759	-	9,904,484	-	9,904,484
Fundraising	18,166,328	-	18,166,328	-	-	18,166,328	-	18,166,328
Total supporting services	26,794,053	-	26,794,053	1,276,759	-	28,070,812	-	28,070,812
Total expenses	195,554,312	-	195,554,312	1,276,759	-	196,831,071	-	196,831,071
Change in net assets before other changes	34,405,806	22,654,025	57,059,831	(486,823)	-	33,918,983	22,654,025	56,573,008
Other changes in net assets:								
Legal expenses awarded, net	3,046,610	-	3,046,610	-	-	3,046,610	-	3,046,610
Net investment income, gains and losses	100,396,962	28,017,077	128,414,039	-	-	100,396,962	28,017,077	128,414,039
Changes in value of split interest agreements	-	1,564,290	1,564,290	-	-	-	1,564,290	1,564,290
Net loss on investment in 915 15th Street, LLC	(486,823)	-	(486,823)	-	486,823	-	-	-
Minimum pension liability adjustment	7,687,766	-	7,687,766	-	-	7,687,766	-	7,687,766
Total other changes in net assets	110,644,515	29,581,367	140,225,882	-	486,823	111,131,338	29,581,367	140,712,705
Change in net assets	145,050,321	52,235,392	197,285,713	(486,823)	486,823	145,050,321	52,235,392	197,285,713
Net assets:								
Beginning	234,852,907	154,675,481	389,528,388	(2,168,042)	2,168,042	234,852,907	154,675,481	389,528,388
Ending	\$ 379,903,228	\$ 206,910,873	\$ 586,814,101	\$ (2,654,865)	\$ 2,654,865	\$ 379,903,228	\$ 206,910,873	\$ 586,814,101