



Harrington Group
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington
Job M. Quesada
Sean E. Cain
Tonetta L. Conner

**AMERICAN CIVIL LIBERTIES UNION OF
NORTHERN CALIFORNIA, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2008

CONTENTS

	Pages
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-10



Harrington Group
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington
Job M. Quesada
Sean E. Cain
Tonetta L. Conner

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Civil Liberties Union of Northern California, Inc.

We have audited the accompanying Statement of Financial Position of American Civil Liberties Union of Northern California, Inc. (a nonprofit organization) as of March 31, 2008 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of American Civil Liberties Union of Northern California, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from American Civil Liberties Union of Northern California, Inc.'s March 31, 2007 financial statements and in our report dated November 16, 2007 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Civil Liberties Union of Northern California, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union of Northern California, Inc. as of March 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



San Francisco, California
December 2, 2008

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

STATEMENT OF FINANCIAL POSITION

March 31, 2008

With comparative totals at March 31, 2007

	2008	2007
Assets		
Cash and cash equivalents (Note 2)	\$ 1,070,827	\$ 693,704
Receivables from affiliated organizations (Note 8)		
National	157,069	170,313
Southern California	152,250	80,593
Foundation	7,729	32,592
San Diego	24,462	8,798
Other assets	7,536	7,861
Investments (Note 3)	608,700	581,835
Prepaid pension expense (Note 4)	-	31,297
Property and equipment (Note 5)	4,366	6,027
	\$ 2,032,939	\$ 1,613,020
 Liabilities and net assets		
Liabilities		
Accounts payable	\$ 3,574	\$ 28,709
Accrued liabilities (Note 6)	38,266	34,552
	41,840	63,261
 Net assets		
Unrestricted	566,033	451,529
Unrestricted - board designated (Note 7)	1,425,066	1,098,230
	1,991,099	1,549,759
 Total liabilities and net assets	\$ 2,032,939	\$ 1,613,020

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

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

STATEMENT OF ACTIVITIES

For the year ended March 31, 2008

With comparative totals for the year ended March 31, 2007

	2008	2007
Revenue and support		
Membership renewals	\$ 2,003,043	\$ 1,829,284
Special appeals	608,445	660,043
Advocacy services (Note 8)	327,400	201,000
Bequests	291,291	321,872
Reimbursements from:		
Southern California	170,757	177,465
San Diego	32,412	28,682
Interest income	49,501	35,428
New memberships	45,669	46,735
First renewals	27,219	41,888
Miscellaneous	6,418	-
National share	(1,621,302)	(1,582,418)
	1,940,853	1,759,979
 Expenses		
Program services	1,201,851	1,279,260
Management and general	249,499	211,735
Fundraising	48,163	90,444
	1,499,513	1,581,439
 Change in net assets	441,340	178,540
 Net assets, beginning of year	1,549,759	1,371,219
 Net assets, end of year	\$ 1,991,099	\$ 1,549,759

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

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2008

With comparative totals for the year ended March 31, 2007

	Program Services	Management and General	Fundraising	Total Expenses	
				2008	2007
Personnel costs	\$ 731,821	\$ 128,847	\$ 37,463	\$ 898,131	\$ 909,839
Occupancy costs	117,451	21,513	5,122	144,086	75,826
Costs of membership	105,805	35,237		141,042	139,510
Chapter expenses	69,554			69,554	63,462
Professional and consulting fees	25,013	19,344	803	45,160	54,566
Printing and public education	43,644			43,644	119,614
Meetings and travel	32,589	1,410	220	34,219	53,827
Contributions		26,542		26,542	49,551
Telephone	16,198	2,244	534	18,976	22,120
Insurance	10,309	4,474	655	15,438	3,268
Office supplies	11,220	2,317	552	14,089	18,419
Conferences and special events	10,508	574	524	11,606	18,534
Other	5,098	3,314	1,808	10,220	16,185
Dues and subscriptions	8,203			8,203	11,093
Postage	5,853	1,621	386	7,860	8,822
Legislative expenses	5,375			5,375	12,727
Office equipment	3,210	401	96	3,707	3,137
Depreciation		1,661		1,661	939
Total 2008 functional expenses	\$ 1,201,851	\$ 249,499	\$ 48,163	\$ 1,499,513	
Total 2007 functional expenses	\$ 1,279,260	\$ 211,735	\$ 90,444		\$ 1,581,439

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

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

STATEMENT OF CASH FLOWS

For the year ended March 31, 2008

With comparative totals for the year ended March 31, 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 441,340	\$ 178,540
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,661	939
Changes in operating assets and liabilities:		
(Increase) decrease in receivable from affiliated organizations	(49,214)	194,718
Decrease in other assets	325	11,686
(Increase) decrease in prepaid pension	31,297	(10,904)
Increase (decrease) in accounts payable	(25,135)	22,051
Increase (decrease) in accrued liabilities	3,714	2,700
Net cash provided by operating activities	403,988	399,730
Cash flows from investing activities:		
Purchase of property and equipment	-	(4,470)
Net purchase of investments	(26,865)	(26,804)
Net cash (used) by investing activities	(26,865)	(31,274)
Net increase in cash and cash equivalents	377,123	368,456
Cash and cash equivalents, beginning of year	693,704	325,248
Cash and cash equivalents, end of year	\$ 1,070,827	\$ 693,704

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

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Organization

The American Civil Liberties Union of Northern California, Inc. ("ACLU-NC") is a tax-exempt corporation founded in 1934. The ACLU-NC is affiliated with the national organization, the American Civil Liberties Union, Inc. ("National"). The ACLU-NC is also affiliated with the American Civil Liberties Union Foundation of Northern California ("the Foundation"). The ACLU-NC has over 55,000 members organized in 22 chapters throughout the mid and northern part of the state to extend the organization's impact and voice. It conducts legislative advocacy and public policy research as well as community organizing and grassroots activism in order to protect and defend civil liberties and civil rights. Acting on the firm belief that liberty must be protected for everyone if it is to be enjoyed by anyone; ACLU-NC works to defend the rights of all. The ACLU-NC is particularly concerned about freedom of expression, the right to privacy, and the right to be free of discrimination.

The organization has offices in San Francisco, Sacramento, and San Jose and reaches out to rural areas of Northern California from Fresno to the Oregon border.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of ACLU-NC are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Unrestricted Board Designated. These are comprised of resources that the Board of Directors has established as being designated for future program and capital expansion, and cash flow resources. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at March 31, 2008 (see Note 7).

continued

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Temporarily Restricted. ACLU-NC reports gifts of cash and other assets as temporarily restricted 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. ACLU-NC had no temporarily restricted net assets at March 31, 2008.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit ACLU-NC to expend all of the income (or other economic benefits) derived from the donated assets. ACLU-NC had no permanently restricted net assets at March 31, 2008.

Cash and Cash Equivalents

ACLU-NC has defined cash and cash equivalents as cash in banks and certificates of deposits with an original maturity of three months or less.

Membership Renewal

Membership and renewal dues are recognized as revenue in the period to which they relate.

Investments

ACLU-NC values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain on investments.

Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

Concentration of Credit Risks

ACLU-NC places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. ACLU-NC has not incurred losses related to these investments or cash equivalents and transfers funds to other institutions on a regular basis to manage this risk.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

continued

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Material and Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received. A number of unpaid volunteers have made significant contributions of their time to ACLU-NC. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied or there was no reliable method of tracking these services.

Income Taxes

ACLU-NC is exempt from taxation under Internal Revenue Code Section 501(c)(4) and California Revenue and Taxation Code Section 23701f.

Functional Allocation of Expenses

Costs of providing ACLU-NC's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. ACLU-NC uses full-time employee equivalents to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ACLU-NC's financial statements for the year ended March 31, 2007 from which the summarized information was derived.

3. Investments

Investments at March 31, 2008 consist of money market funds of \$608,700.

continued

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

NOTES TO FINANCIAL STATEMENTS

4. Pension Plan

The ACLU-NC is part of National's multi-employer defined-benefit plan. New employees must complete one full year of service before becoming eligible to participate. Pension plan expense for the year ended March 31, 2008 was \$37,716.

5. Property and Equipment

Property and equipment at March 31, 2008 consist of the following:

Computer equipment	\$10,490
Less: accumulated depreciation	<u>(6,124)</u>
	<u>\$ 4,366</u>

6. Accrued Liabilities

Accrued liabilities at March 31, 2008 consist of the following:

Accrued vacation	\$37,589
Other liabilities	<u>677</u>
	<u>\$38,266</u>

7. Board Designated Funds

Under a policy established by the Board of Directors, ACLU-NC has set aside certain funds for specific projects and expenditures. Presented below is a summary of all activity in the Board-designated funds.

	LGBTI (Sansome/ Rykkken)	Monterey (Bowen/ Kotsch)	BARK	Bowen	Robeson	San Francisco	Interest	Special Gifts Funds	Total
Opening balances, April 1, 2007	\$11,513	\$61,690	\$7,847	\$34,199	\$53,924	\$1,117	\$345,269	\$582,671	\$1,098,230
Transfer in	230	1,234	157	684	1,078	22	263,093	107,088	373,586
Transfer out	—	<u>(6,750)</u>	—	—	—	—	<u>(40,000)</u>	—	<u>(46,750)</u>
Ending balances, March 31, 2008	<u>\$11,743</u>	<u>\$56,174</u>	<u>\$8,004</u>	<u>\$34,883</u>	<u>\$55,002</u>	<u>\$1,139</u>	<u>\$568,362</u>	<u>\$689,759</u>	<u>\$1,425,066</u>

continued

**AMERICAN CIVIL LIBERTIES UNION
OF NORTHERN CALIFORNIA, INC.**

NOTES TO FINANCIAL STATEMENTS

8. Related Party Transactions

ACLU-NC and the Foundation share rent and overhead expenses. The basis for allocation of these indirect expenses is the salary of employees, which relates to the time spent on programs of the respective organizations. Additionally, ACLU-NC was paid \$320,400 for the year ended March 31, 2008 from the Foundation for advocacy services. ACLU-NC has accounts receivable from the Foundation as of March 31, 2008 of \$7,729.

After providing for a 23.89% administrative fee paid to National, membership dues are allocated in the ratio of 61.5% and 38.5% between ACLU-NC and National, respectively. For the year ended March 31, 2008, National's portion of membership dues totaled to \$1,621,302. Unrestricted new membership and first renewal contributions are exempt from sharing. ACLU-NC has accounts receivable from National as of March 31, 2008 of \$157,069.

ACLU-NC shares expenses of the Sacramento legislative office with affiliate organizations. The American Civil Liberties Union of Southern California ("Southern California") and San Diego ("San Diego") reimburse ACLU-NC for their respective share of expenses paid. ACLU-NC recognizes the reimbursement as revenue. For the year ended March 31, 2008, ACLU-NC recognized \$203,169 as reimbursement revenue. ACLU-NC has accounts receivable from Southern California and San Diego for the year ended March 31, 2008 of \$152,250 and \$24,462, respectively.