



**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**



Leaf & Cole, LLP
Certified Public Accountants

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

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Leaf & Cole, LLP

*Certified Public Accountants
A Partnership of Professional Corporations*

Independent Auditor's Report

To the Board of Directors

American Civil Liberties Union Foundation of Northern California, Inc. and
American Civil Liberties Union of Northern California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California, which comprise the consolidated statement of financial position as of March 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California as of March 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 19 to 22 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Leaf & Cole LLP

San Diego, California
September 14, 2017

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017**

ASSETS

<u>Current Assets:</u> (Notes 2, 3, 4, 5, 6 and 7)	
Cash and cash equivalents	\$ 14,351,154
Investments	6,637,351
Accounts receivable	80,388
Contributions receivable	1,967,287
Due from American Civil Liberties Union Foundation, Inc. (National)	7,350,326
Due from American Civil Liberties Union, Inc. (National Union)	1,153,773
Prepaid expenses	60,341
Total Current Assets	31,600,620
<u>Noncurrent Assets:</u> (Notes 2, 3, 5, 8 and 9)	
Contributions receivable, net	1,496,215
Deposits	9,709
Property and equipment, net	8,476,825
Beneficial interest in endowment funds	4,768,238
Total Noncurrent Assets	14,750,987
TOTAL ASSETS	\$ 46,351,607

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 6)	
Accounts payable and accrued expenses	\$ 3,297,398
Deferred revenue	42,473
Deposits	27,075
Due to American Civil Liberties Union Foundation, Inc. (National)	817,393
Total Current Liabilities	4,184,339
<u>Noncurrent liabilities:</u> (Note 6)	
Due to American Civil Liberties Union Foundation, Inc. (National)	776,667
Total Noncurrent Liabilities	776,667
Total Liabilities	4,961,006
<u>Commitments</u> (Note 13)	
<u>Net Assets:</u> (Notes 2, 10, 11, 12 and 14)	
Unrestricted:	
Undesignated	11,162,788
Board designated	13,474,094
Property and equipment	8,476,825
Total Unrestricted	33,113,707
Temporarily restricted	3,508,656
Permanently restricted	4,768,238
Total Net Assets	41,390,601
TOTAL LIABILITIES AND NET ASSETS	\$ 46,351,607

The accompanying notes are an integral part of the consolidated financial statements.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
CONSOLIDATED STATEMENT OF ACTIVITIES
MARCH 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Support and Revenues:</u>				
Contributions	\$ 15,627,914	\$ 5,252,226	\$ 3,750	\$ 20,883,890
In-kind contributed services	9,684,660	-	-	9,684,660
Membership income	3,091,558	-	-	3,091,558
Legal awards	1,002,571	-	-	1,002,571
Other income	580,227	-	-	580,227
Investment income	421,249	-	383,675	804,924
Net assets released from restrictions	4,951,930	(4,767,053)	(184,877)	-
Total Support and Revenues	<u>35,360,109</u>	<u>485,173</u>	<u>202,548</u>	<u>36,047,830</u>
<u>Expenses:</u>				
Program Services:				
Program services	<u>21,340,024</u>	<u>-</u>	<u>-</u>	<u>21,340,024</u>
Supporting Services:				
Management and general	2,413,567	-	-	2,413,567
Fundraising	1,399,139	-	-	1,399,139
Total Supporting Services	<u>3,812,706</u>	<u>-</u>	<u>-</u>	<u>3,812,706</u>
Total Expenses	<u>25,152,730</u>	<u>-</u>	<u>-</u>	<u>25,152,730</u>
Change in Net Assets	10,207,379	485,173	202,548	10,895,100
Net Assets at Beginning of the Year, as Restated (Note 14)	<u>22,906,328</u>	<u>3,023,483</u>	<u>4,565,690</u>	<u>30,495,501</u>
NET ASSETS AT END OF YEAR	<u>\$ 33,113,707</u>	<u>\$ 3,508,656</u>	<u>\$ 4,768,238</u>	<u>\$ 41,390,601</u>

The accompanying notes are an integral part of the consolidated financial statements.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017**

Cash Flows From Operating Activities:

Change in net assets \$ 10,895,100

**Adjustments to reconcile change in net assets to
net cash provided by operating activities:**

Depreciation	335,914
Loss of disposal of property and equipment	14,134
Realized and unrealized gains on investments	(317,796)
Permanently restricted contributions	(3,750)
Permanently restricted investment gains	(383,675)
Permanently restricted distributions	184,877

(Increase) Decrease in:

Accounts receivable	14,032
Contributions receivable, net	406,926
Due from American Civil Liberties Union Foundation, Inc.	(5,910,728)
Due from American Civil Liberties Union, Inc.	(599,186)
Prepaid expenses	2,612
Deposits	(772)

Increase (Decrease) in:

Accounts payable and accrued expenses	2,678,678
Deferred revenue	32,473
Due to American Civil Liberties Union Foundation, Inc.	(344,336)
Net Cash Provided by Operating Activities	7,004,503

Cash Flows From Investing Activities:

Investment purchases and sales, net	1,367,629
Purchases of property and equipment	(31,208)
Change in beneficial interests in endowment funds, net	(202,548)
Net Cash Provided by Investing Activities	1,133,873

Cash Flows From Financing Activities:

Permanently restricted contributions	3,750
Permanently restricted investment gains	383,675
Permanently restricted distributions	(184,877)
Net Cash Provided by Financing Activities	202,548

Net Increase in Cash and Cash Equivalents 8,340,924

Cash and Cash Equivalents at Beginning of Year 6,010,230

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 14,351,154

The accompanying notes are an integral part of the consolidated financial statements.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 1 - Organization:

The consolidated financial statements include the following entities:

American Civil Liberties Union Foundation of Northern California, Inc.

American Civil Liberties Union Foundation of Northern California, Inc. (the “Foundation”) is a California Nonprofit Corporation (exempt under Section 501(c)(3)) founded in 1934. The Foundation conducts litigation, policy research and advocacy, public education, and community organizing 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; the Foundation works to defend the rights of all. The Foundation is particularly concerned about freedom of expression, the right to privacy, and the right to be free from discrimination.

Known for its legal activities and litigation to preserve constitutional rights, the Foundation also engages in policy work to address governmental over-reaching and to improve justice and fairness. The Foundation participates in public forums and debates, interacts with the media, and engages in education and action through 60 staff and partnerships with clients, community leaders and community based organizations. The ambitious legal docket includes more than 50 cases addressing a wide range of constitutional issues: free speech; discrimination (racial, religious, language, and immigrant minorities - including Muslims and Southeast Asians; lesbians/ gay men, youth and students, and people with AIDS); due process (search and seizure, police abuse, prisoner’s rights); criminal justice; privacy (internet, drug and HIV testing, domestic spying and surveillance, reproductive rights); and government intrusion resulting from the war on terrorism.

The Foundation is headquartered in San Francisco and conducts advocacy in the Northern and Central California regions stretching from Tulare and Monterey counties to the Oregon border.

American Civil Liberties Union of Northern California, Inc.

American Civil Liberties Union of Northern California, Inc. (the “Union”) is a California Nonprofit Corporation (exempt under Section 501(c)(4)) incorporated on December 23, 1988. Union fights for individual rights and fundamental freedoms for all. Union’s activities include fostering, protecting, extending and obtaining civil liberty rights through educational, legislative, and community action.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include the accounts of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California, which are collectively referred to as the “Organization”. All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
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AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 2 - Significant Accounting Policies:(Continued)

Financial Statement Presentation

The consolidated financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time restriction ends or a purpose 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 restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Organization invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 2 - Significant Accounting Policies:(Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's consolidated statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in equities/common stock, mutual funds and real estate investment trust are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Investments in U.S. Agency notes and corporate bonds are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Beneficial interest in endowment funds held at ACLU National Endowment are considered a Level 3 asset and is reported at the fair value of the underlying assets as reported by the National Foundation (Note 9).

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable and contributions receivable were fully collectible; therefore, no allowance for doubtful accounts receivable and contributions receivable was recorded at March 31, 2017.

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OF NORTHERN CALIFORNIA, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 2 - Significant Accounting Policies:(Continued)

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted. Absent donor stipulations regarding how long those donated assets must be maintained, Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	30 - 35 years
Equipment	5 years
Furniture and fixtures	5 years

Depreciation totaled \$335,914 for the year ended March 31, 2017.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017.

Compensated Absences

Accumulated unpaid vacation totaling \$457,497 at March 31, 2017, is accrued when incurred and included in accounts payable and accrued expenses.

Revenue Recognition

Grant Revenue

Grant revenue is recognized in the period in which the related work is performed in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned. Deferred revenue from grants totaled \$41,833 at March 31, 2017.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 2 - Significant Accounting Policies:(Continued)

Revenue Recognition (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give in writing to the Organization that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets. When the stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Attorney Fees Awarded

The Foundation may receive attorney fees awarded by the court as a result of the settlement of certain types of litigation. Because awards are not determinable until resolution of the litigation, such amounts are not recorded until a settlement has been reached and an amount has been determined. This may be several years after litigation began. Moreover, attorney's fees received in any given year may reflect awards arising from several cases over a period of many years.

Donated Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the consolidated financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated legal services totaled \$9,684,660 for the year ended March 31, 2017.

Allocated Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management. Fundraising costs do not include the substantial fundraising costs incurred by American Civil Liberties Union Foundation, Inc. ("National Foundation") and American Civil Liberties Union, Inc. ("National Union").

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 2 - Significant Accounting Policies:(Continued)

Income Taxes

Foundation is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Union is a civic league and is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701(f) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Foundation and Union are not private foundations.

Foundation's and Union's Return of Organization Exempt from Income Tax for the years ended March 31, 2017, 2016, 2015, and 2014 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 14, 2017, the date the consolidated financial statements were available to be issued.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 3 - Fair Value Measurements:

The following table summarizes investments measured at fair value by classification within the fair value hierarchy at March 31, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2017
Equities/Common stock:				
Domestic	\$ 3,682,646	\$ -	\$ -	\$ 3,682,646
International	545,871	-	-	545,871
Mutual funds - equities	347,086	-	-	347,086
Real estate investment trust	77,100	-	-	77,100
Corporate bonds	-	1,234,766	-	1,234,766
U.S. agency notes	-	749,882	-	749,882
Beneficial interests in endowment funds (Note 9)	-	-	4,768,238	4,768,238
	<u>\$ 4,652,703</u>	<u>\$ 1,984,648</u>	<u>\$ 4,768,238</u>	<u>\$ 11,405,589</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Note as indicated above.

The following table represents the Organization's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the range of values for those inputs for the year ended March 31, 2017:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 4,768,238	Valuation of underlying assets as provided by the National Foundation	Base price	N/A

Note 4 - Investments:

Investments consist of the following at March 31, 2017:

Equities/Common stock	\$ 4,228,517
Corporate bonds	1,234,766
U.S. agency notes	749,882
Mutual funds	347,086
Real estate investment trust	77,100
Total Investments	<u>\$ 6,637,351</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 4 - Investments: (Continued)

The following schedule summarizes the investment income for the year ended March 31, 2017:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 134,831	\$ 108,898	\$ 243,729
Realized and unrealized gains on investments	317,796	328,382	646,178
Investment fees	<u>(31,378)</u>	<u>(53,605)</u>	<u>(84,983)</u>
Investment Income, Net	<u>\$ 421,249</u>	<u>\$ 383,675</u>	<u>\$ 804,924</u>

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at March 31, 2017:

Current:		
Due in less than one year		\$ <u>1,967,287</u>
Noncurrent:		
Due in one to five years		1,553,334
Less: Discounts to present value		<u>(57,119)</u>
Total Noncurrent, Net		<u>1,496,215</u>
Total Contributions Receivable, Net		<u>\$ 3,463,502</u>

The contributions receivable have been discounted to their present value using a discount rate of 3% at March 31, 2017.

Note 6 - American Civil Liberties Union Foundation, Inc.:

Foundation has entered into an agreement with the American Civil Liberties Union Foundation, Inc. (“National Foundation”) whereby certain revenues are shared according to a set formula. Revenues subject to this agreement include unrestricted contributions, net bequests and certain restricted contributions. Foundation also shares in certain funds which are raised nationally. Foundation also shares certain fundraising and administrative costs associated with pooled endowment investment funds administered through National Foundation (See Note 7). National Foundation’s share of Foundation revenue sharing totaled \$8,569,816 for the year ended March 31, 2017. Receivables due from National Foundation totaled \$7,156,257 at March 31, 2017. Payables due to National Foundation related to revenue sharing on contributions receivable totaled \$1,594,060 at March 31, 2017.

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Note 7 - American Civil Liberties Union, Inc.:

Union has entered into an agreement with the American Civil Liberties Union, Inc. (“National Union”) whereby certain revenues are shared according to a set formula. Revenues subject to this agreement include certain membership dues and renewals, special appeals and bequests. Union’s share of National Union membership income totaled \$3,091,558 for membership dues for the year ended March 31, 2017. Union’s share of National Union special appeals and bequests totaled \$632,198 for the year ended March 31, 2017. Receivables due from National Union totaled \$1,153,773 at March 31, 2017.

Note 8 - Property and Equipment:

Property and equipment consist of the following at March 31, 2017:

Building and improvements	\$ 11,065,142
Furniture and fixtures	555,284
Equipment	<u>57,034</u>
Subtotal	11,677,460
Less: Accumulated depreciation	<u>(3,200,635)</u>
Property and Equipment, Net	<u><u>\$ 8,476,825</u></u>

Note 9 - Beneficial Interest in Endowment Funds:

Foundation has a beneficial interest in endowment funds held by the National Foundation, which are invested in the pooled investments held by State Street Bank & Trust (“Custodian”). The beneficial interest in endowment funds held by ACLU National Endowment is invested in a portfolio of mutual funds and exchange traded funds, which is structured for long-term total return consisting of 25% domestic large cap, 7% domestic small/mid cap, 24% international equities, 27% fixed income and 17% other investments. These funds are classified as permanently restricted as they must be maintained in perpetuity. Foundation pays a portion of the investment fees charged by the Custodian.

The activity of the beneficial interest in endowment funds held by ACLU National Endowment consisted of the following for the year ended March 31, 2017:

Balance at Beginning of Year	\$ 4,565,690
Contributions	3,750
Investment gains	437,280
Investment fees	(53,605)
Distributions	<u>(184,877)</u>
Balance at End of Year	<u><u>\$ 4,768,238</u></u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 10 - Board Designated Funds:

Under a policy established by the Board of Directors, the Organization has set aside certain funds for specific projects and expenditures. The following is a summary of the board designated funds at March 31, 2017:

Planned giving	\$ 4,599,950
Centennial campaign	3,676,968
Attorney fees	2,588,207
Interest	1,332,245
Building fund	1,000,000
Chapter funds	223,859
LGBTI	52,865
Total Board Designated Funds	<u>\$ 13,474,094</u>

Note 11 - Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following at March 31, 2017:

Criminal justice	\$ 402,634
First amendment rights	231,493
AIDS related and gay/lesbian rights	143,286
Legal intern	5,977
Total Bequests	<u>783,390</u>
Contributions receivable, net	1,536,941
Criminal justice	250,000
Immigrants rights	241,275
Reproductive rights	195,154
Education equity	177,613
Bail reform	125,884
Technology and civil liberties project	87,980
Communications capacity building	59,374
Voting rights	34,797
LGBTI	16,248
Total Temporarily Restricted Net Assets	<u>\$ 3,508,656</u>

Temporarily restricted net assets in the amount of \$4,767,053 were released from donor restrictions by incurring expenses related to various special projects as specified by donors for the year ended March 31, 2017.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
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AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
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Note 12 - Endowment Net Assets:

The endowment funds of Foundation are held by the National Foundation. Foundation's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of Foundation has interpreted the enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Foundation
- The investment policies of Foundation

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundation to retain as a fund of perpetual duration. There were no such deficiencies at March 31, 2017.

National Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

Foundation's endowment funds held by National Foundation are invested in the pooled investments held by State Street Bank & Trust. National Foundation established this pooled investment fund in order to provide diversified investments for all American Civil Liberties Chapter Foundations. National Foundation's spending policy is to disburse a maximum of 4% annually.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 12 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at March 31, 2017:

<u>Beneficial Interest in Donor-Restricted Endowment Funds:</u>	
Trust for the Bill of Rights	\$ 2,972,251
Howard A. Friedman Endowment	1,568,983
Henry Sinton Fund Freedom of Expression	34,645
Ehrlich Emerging Issues Fund	36,816
Cheri Bryant Building Sustainability Endowment	<u>155,543</u>
Total Beneficial Interest in Donor-Restricted Endowment Funds	<u>\$ 4,768,238</u>

Changes in endowment net assets for the year ended March 31, 2017:

	<u>Permanently Restricted</u>
Endowment Net Assets at March 31, 2016	\$ 4,565,690
Contributions	3,750
Investment return:	
Interest and dividend income	108,898
Net realized and unrealized gains	328,382
Investment Fees	<u>(53,605)</u>
Total Investment Return	383,675
Distributions	<u>(184,877)</u>
Endowment Net Assets at March 31, 2017	<u>\$ 4,768,238</u>

Note 13 - Commitments:

Retirement Plans

The Foundation is part of National's multi-employer defined benefit pension plan which was frozen effective April 1, 2009. Accordingly, no new participants have been added to the defined benefit plan census. Pension expense totaled \$337,268 for the year ended March 31, 2017.

The Foundation is also part of National's multi-employer defined contribution plan and the employees of the Foundation who meet the eligibility criteria may participate in the new plan. Pension expense totaled \$145,611 for the year ended March 31, 2017.

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

Note 13 - Commitments: (Continued)

Operating Lease:

The Organization leases office space under a lease agreement expiring November 30, 2019. Rent expense and common area maintenance charges under these leases totaled \$87,486 for the year ended March 31, 2017. The following is a schedule of future minimum lease payments under the lease:

Years Ended March 31	
2018	\$ 88,253
2019	66,420
2020	44,280
Total	<u>\$ 198,953</u>

Note 14 - Prior Period Restatement:

Certain adjustments resulting in a decrease in net assets totaling \$ 1,336,262 at March 31, 2016 were made during the current year and are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets at March 31, 2016, as Previously Reported	\$ 20,119,832	\$ 8,981,627	\$ 2,730,304	\$ 31,831,763
Adjust payable to National for noncurrent pledges	-	(1,336,262)	-	(1,336,262)
Reclassify permanently restricted net assets	-	(1,835,386)	1,835,386	-
Reclassify unrestricted net assets	2,786,496	(2,786,496)	-	-
Net Assets at March 31, 2016, as Restated	<u>\$ 22,906,328</u>	<u>\$ 3,023,483</u>	<u>\$ 4,565,690</u>	<u>\$ 30,495,501</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
MARCH 31, 2017**

	ASSETS			
	<u>Foundation</u>	<u>Union</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Current Assets:</u>				
Cash and cash equivalents	\$ 8,295,501	\$ 6,055,653	\$ -	\$ 14,351,154
Investments	6,637,351	-	-	6,637,351
Accounts receivable	67,392	12,996	-	80,388
Contributions receivable	1,967,287	-	-	1,967,287
Due from American Civil Liberties Union Foundation, Inc. (National)	7,350,326	-	-	7,350,326
Due from American Civil Liberties Union, Inc. (National Union)	-	1,153,773	-	1,153,773
Due from American Civil Liberties Union of Northern California	796,150	-	(796,150)	-
Prepaid expenses	58,458	1,883	-	60,341
Total Current Assets	<u>25,172,465</u>	<u>7,224,305</u>	<u>(796,150)</u>	<u>31,600,620</u>
<u>Noncurrent Assets:</u>				
Contributions receivable, net	1,496,215	-	-	1,496,215
Deposits	8,937	772	-	9,709
Property and equipment, net	8,476,825	-	-	8,476,825
Beneficial interests in endowment funds	4,768,238	-	-	4,768,238
Total Noncurrent Assets	<u>14,750,215</u>	<u>772</u>	<u>-</u>	<u>14,750,987</u>
TOTAL ASSETS	<u>\$ 39,922,680</u>	<u>\$ 7,225,077</u>	<u>\$ (796,150)</u>	<u>\$ 46,351,607</u>
LIABILITIES AND NET ASSETS				
<u>Current Liabilities:</u>				
Accounts payable and accrued expenses	\$ 3,148,268	\$ 149,130	\$ -	\$ 3,297,398
Deferred revenue	41,833	640	-	42,473
Deposits	27,075	-	-	27,075
Due to American Civil Liberties Union Foundation, Inc. (National)	817,393	-	-	817,393
Due to American Civil Liberties Union Foundation of Northern California, Inc.	-	796,150	(796,150)	-
Total Current Liabilities	<u>4,034,569</u>	<u>945,920</u>	<u>(796,150)</u>	<u>4,184,339</u>
<u>Noncurrent Liabilities:</u>				
Due to American Civil Liberties Union Foundation, Inc. (National)	776,667	-	-	776,667
Total Noncurrent Liabilities	<u>776,667</u>	<u>-</u>	<u>-</u>	<u>776,667</u>
Total Liabilities	<u>4,811,236</u>	<u>945,920</u>	<u>(796,150)</u>	<u>4,961,006</u>
<u>Net Assets:</u>				
Unrestricted:				
Undesignated	9,096,182	2,066,606	-	11,162,788
Board designated	9,261,543	4,212,551	-	13,474,094
Property and equipment	8,476,825	-	-	8,476,825
Total Unrestricted	<u>26,834,550</u>	<u>6,279,157</u>	<u>-</u>	<u>33,113,707</u>
Temporarily restricted	3,508,656	-	-	3,508,656
Permanently restricted	4,768,238	-	-	4,768,238
Total Net Assets	<u>35,111,444</u>	<u>6,279,157</u>	<u>-</u>	<u>41,390,601</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,922,680</u>	<u>\$ 7,225,077</u>	<u>\$ (796,150)</u>	<u>\$ 46,351,607</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017**

	<u>Foundation</u>	<u>Union</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Unrestricted Net Assets:</u>				
<u>Revenue and Support:</u>				
Contributions	\$ 11,797,305	\$ 4,027,109	\$ (196,500)	\$ 15,627,914
In-kind contributed services	9,684,660	-	-	9,684,660
Membership income	-	3,091,558	-	3,091,558
Legal awards	1,002,571	-	-	1,002,571
Other income	212,079	368,148	-	580,227
Investment income	417,308	3,941	-	421,249
Net assets released from restrictions	4,951,930	-	-	4,951,930
Total Revenue and Support	<u>28,065,853</u>	<u>7,490,756</u>	<u>(196,500)</u>	<u>35,360,109</u>
<u>Expenses:</u>				
<u>Program Services:</u>				
Program services	<u>17,516,378</u>	<u>4,020,146</u>	<u>(196,500)</u>	<u>21,340,024</u>
<u>Supporting Services:</u>				
Management and general	1,907,438	506,129	-	2,413,567
Fundraising	<u>1,365,267</u>	<u>33,872</u>	<u>-</u>	<u>1,399,139</u>
Total Supporting Services	<u>3,272,705</u>	<u>540,001</u>	<u>-</u>	<u>3,812,706</u>
Total Expenses	<u>20,789,083</u>	<u>4,560,147</u>	<u>(196,500)</u>	<u>25,152,730</u>
Change in Unrestricted Net Assets	<u>7,276,770</u>	<u>2,930,609</u>	<u>-</u>	<u>10,207,379</u>
<u>Temporarily Restricted Net Assets:</u>				
Contributions	5,252,226	-	-	5,252,226
Net assets released from restrictions	<u>(4,767,053)</u>	<u>-</u>	<u>-</u>	<u>(4,767,053)</u>
Change in Temporarily Restricted Net Assets	<u>485,173</u>	<u>-</u>	<u>-</u>	<u>485,173</u>
<u>Permanently Restricted Net Assets:</u>				
Contributions	3,750	-	-	3,750
Investment income	383,675	-	-	383,675
Net assets released from restrictions	<u>(184,877)</u>	<u>-</u>	<u>-</u>	<u>(184,877)</u>
Change in Permanently Restricted Net Assets	<u>202,548</u>	<u>-</u>	<u>-</u>	<u>202,548</u>
Change in Net Assets	7,964,491	2,930,609	-	10,895,100
Net Assets at Beginning of Year, as Restated	<u>27,146,953</u>	<u>3,348,548</u>	<u>-</u>	<u>30,495,501</u>
NET ASSETS AT END OF YEAR	<u>\$ 35,111,444</u>	<u>\$ 6,279,157</u>	<u>\$ -</u>	<u>\$ 41,390,601</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES –
AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC.
FOR THE YEAR ENDED MARCH 31, 2017**

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Administrative expenses	\$ 186,269	\$ 132,958	\$ 33,218	\$ 166,176	\$ 352,445
Bad debt	-	-	7,163	7,163	7,163
Depreciation	268,732	33,591	33,591	67,182	335,914
Hospitality and meetings	49,837	26,913	90,051	116,964	166,801
Insurance	61,822	5,071	5,071	10,142	71,964
Litigation non-service fees	3,368	-	-	-	3,368
Occupancy	153,359	19,170	19,170	38,340	191,699
Outside services	112,148	121,643	14,663	136,306	248,454
Personnel	3,338,837	1,416,226	1,139,225	2,555,451	5,894,288
Professional expenses	9,930,970	116,409	-	116,409	10,047,379
Program grants	3,200,400	-	1,100	1,100	3,201,500
Sponsorship - Other Organizations	20,798	-	-	-	20,798
Taxes, permits, fees & licenses	33,269	4,024	5,613	9,637	42,906
Telecommunications	68,973	8,622	8,622	17,244	86,217
Travel	87,596	22,811	7,780	30,591	118,187
TOTAL EXPENSES	\$ 17,516,378	\$ 1,907,438	\$ 1,365,267	\$ 3,272,705	\$ 20,789,083

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION
OF NORTHERN CALIFORNIA, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES –
AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA
FOR THE YEAR ENDED MARCH 31, 2017**

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Administrative expenses	\$ 54,603	\$ 28,440	\$ 285	\$ 28,725	\$ 83,328
Bad debt	-	370	-	370	370
Hospitality and meetings	106,513	7,413	-	7,413	113,926
Insurance	9,563	1,195	1,195	2,390	11,953
Occupancy	66,955	30,186	-	30,186	97,141
Outside services	128,568	19,294	10,000	29,294	157,862
Personnel	1,317,172	361,382	777	362,159	1,679,331
Professional expenses	5,552	40,038	-	40,038	45,590
Program grants	2,212,500	-	-	-	2,212,500
Taxes, permits, fees & licenses	10,929	1,014	1,014	2,028	12,957
Telecommunications	16,132	12,406	20,601	33,007	49,139
Travel	91,659	4,391	-	4,391	96,050
TOTAL EXPENSES	\$ 4,020,146	\$ 506,129	\$ 33,872	\$ 540,001	\$ 4,560,147