



AMERICAN CIVIL LIBERTIES UNION FOUNDATION

OF NORTHERN CALIFORNIA, INC. AND

AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022



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Independent Auditor's Report

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

Opinion

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 (nonprofit organizations), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 28 - 35 is presented for purposes of additional analysis, 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 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.

To the Boards of Directors American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California Page 3

Change in Accounting Principle

As described in Note 2 to the financial statements, American Civil Liberties Union Foundation of Northern California, Inc. and American Civil Liberties Union of Northern California adopted accounting standards changes related to accounting for and disclosing of lease arrangements. Our opinion is not modified with respect to this matter.

San Diego, California November 16, 2023

Leaficole LLP

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ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets: (Notes 2, 4, 5, 6, 7, 8 and 9)		
Cash and cash equivalents	\$ 17,222,083	\$ 29,986,977
Investments	21,508,655	17,415,255
Accounts receivable	514,813	1,707,496
Contributions receivable	198,209	275,300
Notes receivable	205,768	-
Due from American Civil Liberties Union		
Foundation, Inc. (National Foundation)	5,848,888	405,586
Due from American Civil Liberties Union, Inc. (National Union)	2,875,813	1,671,323
Prepaid expenses	356,290	362,600
Total Current Assets	48,730,519	51,824,537
Noncurrent Assets: (Notes 2, 4, 6, 7, 8, 9, 10, 11 and 15)		
Contributions receivable, net	47,619	48,544
Notes and interest receivable	804,421	-
Deposits	26,832	26,832
Property and equipment, net	7,309,626	7,628,087
Right of use assets - operating leases, net	179,801	-
Right of use assets - finance leases, net	97,325	-
Beneficial interest in endowment funds	6,084,880	6,624,893
Total Noncurrent Assets	14,550,504	14,328,356
TOTAL ASSETS	\$ 63,281,023	\$ 66,152,893
LIABILITIES AND NET ASSE	TS	
Current Liabilities: (Notes 2, 8 and 15)		
Accounts payable and accrued expenses	\$ 2,277,668	\$ 2,138,371
Deferred revenue	4,835	-
Operating lease liability	190,370	-
Finance lease liability	17,978	-
Due to National Foundation	75,000	50,150
Total Current Liabilities	2,565,851	2,188,521
Noncurrent liabilities: (Notes 2 and 15)		
Finance lease liability	79,805	_
Total Noncurrent Liabilities	79,805	
Total Liabilities	2,645,656	2,188,521
Commitments and Contingency (Note 15)		
Net Assets: (Notes 2, 12, 13 and 14)		
Without Donor Restrictions	52,713,508	55,183,464
With Donor Restrictions	7,921,859	8,780,908
Total Net Assets	60,635,367	63,964,372
TOTAL LIABILITIES AND NET ASSETS	\$ 63,281,023	\$ 66,152,893

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023			2022			
	Without	With	_	Without	With		
	Donor	Donor		Donor	Donor		
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total	
Revenue and Support:							
Contributions	\$ 13,721,274	\$ 1,542,007	\$ 15,263,281	\$ 15,404,654	\$ 2,945,599	\$ 18,350,253	
Membership contributions	5,595,012	-	5,595,012	6,188,793	-	6,188,793	
In-kind contributed services	3,998,339	-	3,998,339	6,843,417	-	6,843,417	
Legal awards	2,768,416	-	2,768,416	2,755,377	-	2,755,377	
Other income	28,159	-	28,159	281,314	-	281,314	
Investment (loss) income	(824,049)	(286,832)	(1,110,881)	510,480	203,833	714,313	
Loss on disposal of property and equipment	-	-	-	(15,296)	-	(15,296)	
Net assets released from restrictions	2,114,224	(2,114,224)	<u> </u>	2,653,672	(2,653,672)		
Total Revenue and Support	27,401,375	(859,049)	26,542,326	34,622,411	495,760	35,118,171	
Expenses:							
Program Services:							
Program services	25,269,805		25,269,805	22,834,457		22,834,457	
Supporting Services:							
Management and general	2,905,598	-	2,905,598	3,568,565	-	3,568,565	
Fundraising	1,695,928		1,695,928	1,859,690		1,859,690	
Total Supporting Services	4,601,526		4,601,526	5,428,255		5,428,255	
Total Expenses	29,871,331		29,871,331	28,262,712		28,262,712	
Change in Net Assets	(2,469,956)	(859,049)	(3,329,005)	6,359,699	495,760	6,855,459	
Net Assets at Beginning of the Year	55,183,464	8,780,908	63,964,372	48,823,765	8,285,148	57,108,913	
NET ASSETS AT END OF YEAR	\$ 52,713,508	\$ 7,921,859	\$ 60,635,367	\$ 55,183,464	\$ 8,780,908	\$ 63,964,372	

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

2023

			2023						2022		
•			Supporting Service	es		 		Supp	orting Servic	es	
				Total					_	Total	
	Program	Management	Fund-	Supporting	Total	Program	Management		Fund-	Supporting	Total
	Services	and General	raising	Services	Expenses	Services	and General		raising	Services	Expenses
•					•						 •
Administrative expenses	\$ 850,098	\$ 82,496	\$ 98,034	\$ 180,530	\$ 1,030,628	\$ 515,140	\$ 158,691	\$	111,752	\$ 270,443	\$ 785,583
Bad debt	=	-	=	-	-	9,723	8,244		184,604	192,848	202,571
Depreciation	400,978	68,752	24,723	93,475	494,453	363,698	45,463		45,463	90,926	454,624
Hospitality and meetings	146,344	52,886	22,531	75,417	221,761	65,991	36,169		15,390	51,559	117,550
Insurance	219,430	104,952	10,926	115,878	335,308	94,748	188,080		2,515	190,595	285,343
Interest	4,687	586	586	1,172	5,859	-	-		-	-	-
Litigation non-service fees	23,779	-	-	-	23,779	10,997	-		-	-	10,997
Occupancy	620,555	50,612	18,076	68,688	689,243	441,111	237,385		5,357	242,742	683,853
Outside services	625,228	139,698	53,094	192,792	818,020	754,023	216,495		46,884	263,379	1,017,402
Personnel	11,396,088	2,189,496	1,417,442	3,606,938	15,003,026	10,418,934	2,231,866		1,420,247	3,652,113	14,071,047
Professional expenses	4,295,379	64,087	17,271	81,358	4,376,737	6,980,546	240,039		4,779	244,818	7,225,364
Program grants	5,958,294	-	-	-	5,958,294	2,751,422	-		-	-	2,751,422
Sponsorships - Other Organizations	36,418	-	-	_	36,418	73,632	-		_	-	73,632
Taxes, permits, fees and licenses	7,638	5,285	120	5,405	13,043	12,933	8,403		189	8,592	21,525
Telecommunications	471,330	109,605	30,048	139,653	610,983	284,031	174,967		20,361	195,328	479,359
Travel	213,559	37,143	3,077	40,220	253,779	57,528	22,763		2,149	24,912	82,440
								_			
Total Expenses	\$ 25,269,805	\$ 2,905,598	\$ 1,695,928	\$ 4,601,526	\$ 29,871,331	\$ 22,834,457	\$ 3,568,565	\$	1,859,690	\$ 5,428,255	\$ 28,262,712

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

Cook Flows From Oneveting Activities		<u>2023</u>		<u>2022</u>
Clarge in not assets	\$	(2.220.005)	\$	6 955 450
Change in net assets Adjustments to reconcile change in net assets to	Þ	(3,329,005)	Ф	6,855,459
net cash (used in) provided by operating activities:				
Depreciation		494,453		454,624
Loss on disposal of property and equipment		494,433		15,296
Net realized and unrealized gain on investments		(1 142 579)		
Right of use assets - operating leases		(1,142,578) 528,939		(251,939)
Right of use assets - operating leases Right of use assets - finance leases		107,059		-
Endowment contributions		*		(1,000)
		(1,000)		(1,000)
Endowment investment loss (gain)		286,832		(203,833)
Endowment distributions		254,181		214,916
(Increase) Decrease in:		1 100 600		(1.266.520)
Accounts receivable		1,192,683		(1,366,730)
Contributions receivable, net		78,016		(73,844)
Note receivable		(1,010,189)		-
Due from National Foundation		(5,443,302)		3,557,449
Due from National Union		(1,204,490)		88,794
Prepaid expenses		6,310		(117,986)
Deposits		-		7,950
Increase (Decrease) in:				
Accounts payable and accrued expenses		139,297		(73,761)
Deferred revenue		4,835		-
Due to National Foundation		24,850		(49,850)
Operating lease liability		(518,370)		(19,061)
Grants payable	_			(200,000)
Net Cash (Used in) Provided by Operating Activities	- -	(9,531,479)		8,836,484
Cash Flows From Investing Activities:				
Investment (purchases) and sales, net		(2,950,822)		(1,072,103)
Purchases of property and equipment		(175,992)		(388,068)
Change in beneficial interests in endowment funds, net		540,013		(473,061)
Net Cash Used in Investing Activities		(2,586,801)		(1,933,232)
Cash Flows From Financing Activities:				
Finance lease liability		(106,601)		_
Endowment contributions		1,000		1,000
Endowment investment (loss) gain		(286,832)		203,833
Endowment distributions		(254,181)		(214,916)
Net Cash Used in Financing Activities	•	(646,614)		(10,083)
Net (Decrease) Increase in Cash and Cash Equivalents		(12,764,894)		6,893,169
Cash and Cash Equivalents at Beginning of Year	_	29,986,977		23,093,808
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	17,222,083	\$	29,986,977
	•			

(Continued)

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

Supplemental Disclosure of Cash Flow Information:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 187,257	\$ -
Financing cash outflows from finance leases	\$ 5,400	\$ -
Right-of-use assets upon ASC 842 implementation:		
Operating leases	\$ 354,370	\$ -
Finance leases	\$ 102,192	\$ -
Right-of-use assets after ASC 842 implementation:		
Operating leases	\$ 179,801	\$ -
Finance leases	\$ 97,325	\$ -

Note 1 - Organizations:

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 (tax-exempt under Internal Revenue Code 26 U.S.C. Section 501(c)(3)). The Foundation employs litigation, policy advocacy, public education, organizing, and communications to protect and promote a broad range of 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.

ACLU of Northern California Foundation works to preserve and extend constitutional rights, and to advance justice, equality, and freedom. It carries out its mission with a focus on six major programs: 1) Criminal Justice, including police accountability, prosecutor accountability and decarceration, 2) Democracy and Civic Engagement, including voting rights, open government and free speech, 3) Gender, Sexuality and Reproductive Justice, including gender justice, LGBTQ justice and reproductive justice, 4) Immigrants' Rights, including detention conditions, deportation defense, ICE and CBP abuses, and stopping state and local cooperation with federal immigration enforcement, 5) Racial and Economic Justice, including education equity, housing and homelessness, assets and income, and Indigenous justice and 6) Technology and Civil Liberties, including surveillance, privacy and corporate accountability, and protection and promotion of digital rights. Across these issues, the Foundation engages in partnerships with cooperating attorneys, community leaders, and community-based organizations. The ambitious legal docket includes more than 50 cases at any one time across these issues, and often addressing a wide range of constitutional rights, such as the freedom of expression, the right to privacy, the right to due process, and equal protection under the law. It maintains a portfolio of local and state policy advocacy, working toward transformative change that can advance civil liberties and civil rights. The Foundation also advances a cross-cutting commitment to racial justice across many of these issues, programs, and strategies.

The Foundation is headquartered in San Francisco and does its work throughout the Northern and Central California regions stretching from Tulare and Monterey counties in the south to the Oregon border in the north. The Foundation has made a long-term commitment to California's Central Valley and operates an office in Fresno to serve the Central Valley and a new office in Sacramento to serve the Sacramento Metro region and nearby counties.

American Civil Liberties Union of Northern California

The American Civil Liberties Union of Northern California (the "Union") is a California Nonprofit Corporation (tax-exempt under Internal Revenue Code 26 U.S.C. Section 501(c)(4)). Concerned people came together to form the ACLU of Northern California in 1934 to serve as an enduring guardian and advocate for constitutional rights.

Unlike the Foundation, the Union does not have a litigation program or legal docket; however, it works across a similar range of issues as the Foundation. The Union employs legislative advocacy, policy advocacy, public education, organizing, and communications to protect and promote a broad range of civil liberties and civil rights. It maintains programs for activist and community engagement, including volunteer-based chapters throughout the region.

Note 2 - Significant Accounting Policies:

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Foundation and the Union, which are collectively referred to as the "Organizations." All material intercompany transactions have been eliminated in consolidation.

Accounting Method

The consolidated financial statements of the Organizations 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.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing boards have designated net assets without restrictions as described in Note 12.
- Net Assets With Donor Restrictions Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of each the Union and the Foundation ("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 Organizations invest 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 statements of financial position.

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 each 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 Organizations have 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 Organizations' consolidated statements of financial position include 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 by the American Civil Liberties Union Foundation, Inc.
 ("National Foundation") is considered a Level 3 asset, and is reported at the fair value of the
 underlying assets as provided by the National Foundation (Note 11).

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, 2023 and 2022.

Note 2 - Significant Accounting Policies:(Continued)

Capitalization and Depreciation

The Organizations capitalize 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 support without donor restrictions 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 support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Organizations reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organizations reclassify net assets with donor restrictions to net assets without donor restrictions 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 - 39 years
Equipment	5 years
Furniture and fixtures	5 years
Website and software	3 - 5 years

Depreciation totaled \$494,453 and \$454,624 for the years ended March 31, 2023 and 2022, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as other income or loss.

Impairment of Real Estate

The Organizations review their investments 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 2023 and 2022.

Compensated Absences

Accumulated unpaid vacation totaling \$1,091,844 and \$1,055,892 at March 31, 2023 and 2022, respectively, is accrued when incurred, and included in accounts payable and accrued expenses.

Note 2 - Significant Accounting Policies: (Continued)

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to give in writing to the Organizations 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 without donor restriction or with donor restriction, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions. 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.

Memberships

Revenue from memberships are recognized as revenue upon receipt from American Civil Liberties Union, Inc. ("National Union").

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 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 Foundation's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Other Income

Other income consists of reimbursed expenses, ticket sales for conferences and events, rental income, and other miscellaneous income. Other income is recognized in the period that it is earned.

Donated Services

The Organizations utilize 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.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services (Continued)

The Foundation received donated legal services totaling \$3,998,339 and \$6,843,417 for the years ended March 31, 2023 and 2022, respectively.

		2023		
	Revenue	Utilization in	Donor	Valuation Techniques
Items Donated	Recognized	Programs/Activities	Restrictions	and Inputs
Legal services	\$3,998,339	Program services	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
		2022		
	Revenue	Utilization in	Donor	Valuation Techniques
Items Donated	Recognized	Programs/Activities	Restrictions	and Inputs
Legal services	\$6,843,417	Program services	No associated donor restrictions	Donated services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

Functional Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, based on a resource sharing agreement that allocates costs primarily based on the proportion of full-time employee equivalents of a program or supporting service, versus the total organizational full-time employee equivalents. Fundraising costs do not include the substantial fundraising costs incurred by National Foundation and American Civil Liberties Union, Inc. ("National Union").

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

The 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. The 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 Organizations believe that they have appropriate support for any tax positions taken, and, as such, do not have any uncertain tax positions that are material to the financial statements. The Foundation and the Union are not private foundations.

The Foundation's and the Union's Return of Organization Exempt from Income Tax for the years ended March 31, 2023, 2022, 2021 and 2020 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 Organizations maintain their cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Organizations have not experienced any losses in such accounts. The Organizations believe they are not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organizations consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents, regardless of the maturity. The following is a composition of the combined amounts appearing in the consolidated statements of cash flows at March 31:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 9,513,962	\$ 29,167,982
Certificates of deposit	7,708,121	818,995
Total Cash and Cash Equivalents	\$ 17,222,083	\$ 29,986,977

Certificates of deposit included in cash and cash equivalents bear interest at rates ranging from 1.85% to 5.10%, and mature through October 2025.

Note 2 - Significant Accounting Policies: (Continued)

Lease

The Organizations entered into a lease agreement for office space through March 2024. Pursuant to the guidance for accounting for leases, the Organization accounts for the operating leases as noted below.

The Organizations determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. The Organizations use the risk-free rate in determining the present value of the lease payments.

The operating lease right-of-use asset also includes any lease payments made, and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Organizations will exercise that option. The lease does not contain any material residual value guarantee or material restrictive covenants. Lease expense for lease payments is recognized on the straight-line basis over the lease term.

Subsequent Events

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through November 16, 2023, the date the consolidated financial statements were available to be issued.

Reclassification

The Organizations have reclassified certain prior-year information to conform with the current-year presentation.

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Financial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 consolidated financial statements.

Note 2 - Significant Accounting Policies: (Continued)

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the consolidated statement of financial position by lessees, and the disclosures of key information about leasing arrangements.

The Organizations adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows the Organizations to apply the guidance for the current-year presentation and not adjust the prior-year numbers. The Organizations elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Organizations did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASC 842 on April 1, 2022, right of use assets of \$227,126 and operating lease liability of \$179,801 and finance lease liability of \$97,325 were recorded.

Note 3 - Liquidity and Availability:

The Organizations regularly monitor the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organizations consider investment income without donor restrictions, appropriated earnings from donor-restricted funds, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organizations consider all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at March 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, net of designated reserves	\$ (4,086,051)	\$ 6,033,220
Investments	21,508,655	17,415,255
Accounts receivable	514,813	1,707,496
Contributions receivable	198,209	275,300
Note receivable	205,768	-
Due from National Foundation	5,848,888	405,586
Due from National Union	2,875,813	1,671,323
Appropriation of endowment earnings	250,000	200,000
Financial assets available to meet general expenditures within one year	\$ 27,316,095	\$ 27,708,180

Note 3 - Liquidity and Availability: (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organizations operate with balanced budgets, and anticipate collecting sufficient revenue to cover general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 14. The portion of donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

Note 4 - Fair Value Measurements:

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

	2023					
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, 2023			
\$ 14,020,302 1,398,947 879,748 518,943 519,656	\$ - - 2,698,869 1,472,190 - \$ 4,171,059	\$ - - - - - - - - - - - - - - - - - - -	\$ 14,020,302 1,398,947 879,748 518,943 519,656 2,698,869 1,472,190 6,084,880 \$ 27,593,535			
	20	022				
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, 2022			
\$ 10,804,426 784,871 976,579 469,013	\$ - 3,129,059 1,251,307	\$ - - - - - - - - - - - - - - - - - - -	\$ 10,804,426 784,871 976,579 469,013 3,129,059 1,251,307 6,624,893 \$ 24,040,148			
	in Active Markets for Identical Assets (Level 1) \$ 14,020,302 1,398,947 879,748 518,943 519,656 \$ 17,337,596 Quoted Prices in Active Markets for Identical Assets (Level 1) \$ 10,804,426 784,871 976,579	Quoted Prices in Active Markets for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) \$ 14,020,302 \$ - 1,398,947 \$ 879,748 \$ - 518,943 \$ 519,656 \$ - 2,698,869 \$ - 1,472,190 \$ 2,698,869 \$ 1,472,190 \$ 17,337,596 \$ 4,171,059 \$ 3ignificant Other Observable Inputs (Level 2) \$ 10,804,426 \$ - 784,871 \$ 976,579 \$ 469,013 \$ - 3,129,059 \$ 1,251,307 \$ 3,129,059 \$ 1,251,307	Quoted Prices in Active Markets for Identical Assets (Level 1) Significant Other Observable Inputs (Level 2) Significant Unobservable Inputs (Level 3) \$ 14,020,302 \$ - \$ - \$ - 1,398,947 518,943 518,943 519,656 2,698,869 1,472,190 1,472,190 6,084,880 - 6,084,880 6,084,880 \$ 17,337,596 \$ 4,171,059 \$ 6,084,880 Significant Unobservable Inputs (Level 1) Significant Unobservable Inputs (Level 3) \$ 10,804,426 \$ - \$ - \$ - 784,871 976,579 469,013 3,129,059 - 1,251,307 6,624,893 - 6,624,893			

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in Note 10, as indicated above.

Note 4 - Fair Value Measurements: (Continued)

Real estate investment trust

Total Investments

The following table represents the Level 3 financial instruments of the Foundation, 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 years ended March 31:

		2023			
Instrument	Fair Value	Principal Valuation Technique		Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 6,084,880	Valuation of underlying assets as provide National Foundation	d by	Base price	N/A
		2022			
Instrument	Fair Value	Principal Valuation Technique		Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 6,624,893	Valuation of underlying assets as provide National Foundation	ed by	Base price	N/A
te 5 - Investments:					
estments consist of the	e following at Ma	arch 31:			
				<u>2023</u>	<u>2022</u>
Equities/Common sto Mutual funds	ock		\$ 15	5,419,249 879,748	\$ 11,589,29 976,57
Municipal bonds Corporate bonds Agency securities				518,943 2,698,869 1,472,190	3,129,05 1,251,30

The following schedule summarizes the investment (loss) income for the years ended March 31:

				2023		
	_	Without		With		
		Donor		Donor		
	_	Restrictions	I	Restrictions	_	Total
Interest and dividend income	\$	374,469	\$	141,434	\$	515,903
Realized and unrealized loss		(1,142,578)		(402,731)		(1,545,309)
Investment fees		(55,940)		(25,535)		(81,475)
Investment Loss	\$	(824,049)	\$	(286,832)	\$	(1,110,881)

519,656

21,508,655

469,013

17,415,255

Note 5 - Investments: (Continued)

			2022	
	 Without		With	
	Donor		Donor	
	 Restrictions	F	Restrictions	 Total
Interest and dividend income	\$ 331,950	\$	120,396	\$ 452,346
Realized and unrealized gain	249,666		113,421	363,087
Investment fees	 (71,136)		(29,984)	 (101,120)
Investment Income	\$ 510,480	\$	203,833	\$ 714,313

Note 6 - Contributions Receivable:

Contributions receivable consist of the following at March 31:

Comments	<u>2023</u>	<u>2022</u>
Current: Due in less than one year	\$ 198,209	\$ 275,300
Noncurrent:		
Due in one-to-five years	50,000	50,000
Less: Discounts to present value	 (2,381)	(1,456)
Total Noncurrent, Net	 47,619	48,544
Total Contributions Receivable, Net	\$ 245,828	\$ 323,844

The contributions receivable have been discounted to their present value using a discount rate of 3% at March 31, 2023 and 2022.

Note 7 - Note Receivable:

On August 31, 2022, the Foundation and the Union executed a Promissory Note ("Note") totaling \$1,000,000 from Community Vision Capital & Consulting, a California nonprofit public benefit corporation. Interest shall accrue from the date of the Note and accrued interest shall accrue to principal annually on December 31 at a rate of 1.75%. The balance on the note receivable including accrued interest totaled \$757,642 at March 31, 2023.

Future principal payments on the note receivable are as follows:

Years Ended March 31	
2023	\$ 154,326
2024	157,048
2025	159,819
2026	162,638
2027	68,610
Thereafter	55,201
Total	\$ 757,642

Note 8 - American Civil Liberties Union Foundation, Inc.:

The Foundation has entered into an agreement with National Foundation whereby certain revenues are shared according to a set formula. Revenues subject to this agreement include contributions without donor restrictions, and certain restricted contributions. The Foundation also shares in certain funds which are raised nationally. The Foundation also shares certain fundraising and administrative costs associated with pooled endowment investment funds administered through National Foundation (See Note 11). The Foundation's share of National Foundation revenue sharing totaled \$5,848,888 and \$405,586 for the years ended March 31, 2023 and 2022, respectively. Receivables due from National Foundation for revenue sharing totaled \$5,848,888 and \$405,586 at March 31, 2023 and 2022, respectively. Payables due to National Foundation related to revenue sharing on contributions receivable totaled \$75,000 and \$50,150 at March 31, 2023 and 2022, respectively.

Note 9 - American Civil Liberties Union, Inc.:

The Union has entered into an agreement with 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. The National Union pays the cost of membership acquisition and renewal, which are not shown as an expense of the Union. As a result, the Union does not incur significant costs for fundraising. The Union's share of National Union membership income totaled \$5,955,012 and \$6,188,793 for membership dues for the years ended March 31, 2023 and 2022, respectively. The Union's share of National Union special appeals and bequests totaled \$1,866,046 and \$1,233,730 for the years ended March 31, 2023 and 2022, respectively. Receivables due from National Union totaled \$2,875,813 and \$1,671,323 at March 31, 2023 and 2022, respectively.

Note 10 - Property and Equipment:

Property and equipment consist of the following at March 31:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 11,585,570	\$ 11,462,443
Furniture and fixtures	945,506	904,247
Equipment	123,649	117,574
Website and software	180,725	171,844
Construction in progress	13,770	17,120
Subtotal	12,849,220	12,673,228
Less: Accumulated depreciation	(5,539,594)	(5,045,141)
Property and Equipment, Net	\$ 7,309,626	\$ 7,628,087

Note 11 - Beneficial Interest in Endowment Funds:

The Foundation has a beneficial interest in endowment funds held by National Foundation, which are invested in the pooled investments held by State Street Bank & Trust ("Custodian"). The beneficial interest in endowment funds held by National Foundation's Endowment is invested in a portfolio of mutual funds and exchange traded funds, which is structured for long-term total return. These funds are classified as with donor restrictions of a perpetual nature as they must be maintained in perpetuity. The Foundation pays a portion of the investment fees charged by the Custodian.

Note 11 - Beneficial Interest in Endowment Funds: (Continued)

The activity of the beneficial interest in endowment funds held by National Foundation's Endowment consisted of the following for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 6,624,893	\$ 6,151,832
Contributions	1,000	501,000
Investment (loss) gain	(261,297)	233,818
Investment fees	(25,535)	(29,984)
Distributions	(254,181)	(231,773)
Balance at End of Year	\$ 6,084,880	\$ 6,624,893

Note 12 - Board-Designated Funds:

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

		<u>2023</u>		<u>2022</u>
Attorney fees	\$	7,093,584	\$	6,361,298
Sustainability and impact funds		6,776,412		7,378,830
Accumulated earnings:				
Advocacy funds		3,073,823		4,497,890
Ballot initiative advocacy funds		2,739,502		2,480,438
Building fund		1,000,000		1,000,000
Issue advocacy		332,469		568,096
Chapter funds		292,344		276,092
Centennial campaign	_		_	1,391,113
Total Board-Designated Funds	\$	21,308,134	\$	23,953,757

Note 13 - Net Assets With Donor Restrictions:

Net assets with donor restrictions consist of the following at March 31:

	<u>2023</u>			2022	
Subject to Expenditure for Specified Purpose:					
Bequests:					
LGBTI	\$	559,754	\$	760,907	
First amendment rights				41,031	
Total Bequests		559,754		801,938	
Gender, sexuality, and reproductive justice		506,033		32,862	
Youth education		190,718		113,717	
Technology & civil rights		146,043		-	
Racial and economic justice		133,865		32,500	
Criminal justice		129,738		379,474	
Reproductive rights		-		507,228	
Immigrants' rights				14,602	
Total Subject to Expenditure for Specified Purpose		1,106,397		1,882,321	
Subject to the Passage of Time:		_			
Contributions receivable, net		170,828		273,694	
Perpetual in Nature:		_			
Beneficial interest in endowment funds (Note 14)		6,084,880		6,624,893	
Total Net Assets with Donor Restrictions	\$	7,921,859	\$	8,780,908	

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended March 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished:		
Gender, sexuality, and reproductive justice	\$ 339,087	\$ 206,220
Criminal justice	260,237	823,123
AIDS-related and gay/lesbian rights	201,153	257,909
Immigrants' rights	127,818	384,016
Technology and civil liberties project	120,852	-
Racial and economic justice	80,260	87,458
First amendment rights	41,031	190,462
Democracy and civic engagement	-	276,106
Youth education	-	30,000
Legal	-	15,000
Time Restrictions Fulfilled	689,605	151,605
Endowment Fund Distributions	 254,181	 231,773
Total Net Assets Released From Restrictions	\$ 2,114,224	\$ 2,653,672

Note 14 - Endowment Net Assets:

The endowment funds of the Foundation are held by National Foundation. The 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 the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to 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 donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restriction, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the 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 the 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 the Foundation
- The investment policies of the Foundation

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation had no underwater endowment funds at March 31, 2023 and 2022.

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

The Foundation's endowment funds held by National Foundation are invested in the pooled investments held by Custodian. National Foundation established this pooled investment fund in order to provide diversified investments for all 501(c) (3) affiliates of the National Foundation, including the Foundation. National Foundation's spending policy is to disburse a maximum of 4% annually.

Note 14 - Endowment Net Assets: (Continued)

Endowment composition by type of fund at March 31:

	<u>2023</u>	<u>2022</u>
Beneficial Interest in Donor-Restricted Endowment Funds:		
Trust for the Bill of Rights	\$ 3,502,287	\$ 3,810,897
Howard A. Friedman Endowment	1,848,776	2,011,684
Alvin H. Baum Fund for Emerging Issues	459,149	504,515
Cheri Bryant Building Sustainability Endowment	190,464	206,172
Ehrlich Emerging Issues Fund	43,381	47,204
Henry Sinton Fund Freedom of Expression	40,823	44,421
Total Beneficial Interest in Donor-Restricted Endowment Funds	\$ 6,084,880	\$ 6,624,893
Changes in endowment net assets for the years ended March 31:		
	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 6,624,893	\$ 6,151,832
Contributions	1,000	501,000
Investment (loss) income	(286,832)	203,834
Distributions	(254,181)	(231,773)
Balance at End of Year	\$ 6,084,880	\$ 6,624,893

Note 15 - Commitments and Contingency:

Retirement Plans

The Foundation and the Union participate in National Union's multi-employer defined benefit pension plan (Plan No. 001 and EIN: 13-3871360) (the "Plan"), which was frozen effective April 1, 2009. Accordingly, no new participants have been added to the defined benefit plan census. National Union completed an actuarial valuation of the funded status of the Plan, which estimated that the Plan is 89% funded at each of the years ended March 31, 2023 and 2022. The net periodic pension cost is determined at the national level, and the Organizations fund their proportional share of the funding normal cost for the plan year ending within the fiscal year. Pension expense totaled \$415,149 and \$359,626 for the years ended March 31, 2023 and 2022, respectively.

The Foundation and the Union also participate in National Union's multi-employer defined contribution plan (the "Contribution Plan"). The employees of the Organizations who meet the eligibility criteria may participate in the Contribution Plan. The Organizations contribute 2%, and makes a matching contribution of up to 3.5%, based on employee contribution percentages. Pension expense totaled \$476,734 and \$437,037 for the years ended March 31, 2023 and 2022, respectively.

Note 15 - Commitments and Contingency: (Continued)

Operating Lease

The Organizations leases office space under lease agreements expiring through March 2024. Rent expense under these leases totaled \$327,725 and \$311,703 for the years ended March 31, 2023 and 2022, respectively.

The Organizations leases equipment under lease agreements expiring through March 2028. Rent expense under these leases totaled \$37,691 and \$46,102 for the years ended March 31, 2023 and 2022, respectively.

The following summarizes the line items on the statement of financial position for the operating lease at March 31, 2023:

Right-of-use assets - operating leases, net	\$ 179,801
Right-of-use assets - finance leases, net	\$ 97,325
Operating lease liability - current portion Operating lease liability - noncurrent portion	\$ 190,370
Total Operating Lease Liabilities	\$ 190,370
Finance lease liability - current portion	\$ 17,978
Finance lease liability - noncurrent portion	 79,805
Total Finance Lease Liabilities	\$ 97,783

The following summarizes the weighted average remaining lease term and discount rate at March 31, 2023:

Weighted average remaining lease term - operating Weighted average remaining lease term - finance	12 months 60 months
Weighted average discount rate – operating Weighted average discount rate - finance	2.83% 4.11%

The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended March 31, 2023:

Operating lease expense	\$327,7	25
Total Operating Lease Cost	\$ 327,7	25
Finance lease expense	\$ 37,6	91
Total Finance Lease Cost	\$ 37,6	91

The following summarizes cash flow information related to leases for the year ended March 31, 2023:

Operating cash outflows from operating leases	\$ 187,257
Financing cash outflows from finance leases	 5,400
Total cash outflow	\$ 192,657

Note 15 - Commitments and Contingencies: (Continued)

Operating Lease (Continued)

The following is a schedule of future minimum lease payments under the lease:

Years Ended		
March 31		
2024	\$	223,489
2025		28,157
2026		25,024
2027		21,600
2028		21,600
Total Lease Payments	\$	319,870
Less: Discount		(31,717)
Present Value of Lease Liabilities	_	288,153

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organizations are closely monitoring their investment portfolios and liquidity, and are actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organizations' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organizations' donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organizations' financial position and changes in net assets and cash flows is uncertain, and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Note 16 - ACLU California Action:

During fiscal year 2021, the ACLU California affiliates (comprised of the 501(c)(3) and 501(c)(4) corporations of the ACLUs of Northern California, Southern California, and San Diego and Imperial Counties) formed a California nonprofit corporation exempt under IRC Section 501(c)(4), ACLU California Action. ACLU California Action will house certain programs intended to advance state-level work for civil liberties and civil rights. The Foundation and the Union each designate directors to the ACLU California Action board, and will make annual financial contributions to ACLU California Action as part of the annual budgeting process of each corporation. The annual contribution will be in the form of a grant, and will include a written grant agreement with any restrictions and/or prohibitions on the use of funds. Contributions totaled \$2,598,286 and \$2,244,430 for the years ended March 31, 2023 and 2022, respectively.

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, 2023

ASSETS

		Foundation		Union	Е	liminations	(Consolidated
Current Assets:								
Cash and cash equivalents	\$	10,999,462	\$	6,222,621	\$	-	\$	17,222,083
Investments		17,088,496		4,420,159		-		21,508,655
Accounts receivable		514,213		600		-		514,813
Contributions receivable		198,209				-		198,209
Notes receivable		154,326		51,442		-		205,768
Due from National Foundation		5,848,888		-		-		5,848,888
Due from National Union		-		2,875,813		-		2,875,813
Due from Foundation		-		786,422		(786,422)		-
Prepaid expenses		276,239	_	80,051			_	356,290
Total Current Assets	•	35,079,833	_	14,437,108		(786,422)	_	48,730,519
Noncurrent Assets:								
Contributions receivable, net		47,619		-		_		47,619
Notes and interest receivable		603,316		201,105		_		804,421
Deposits		26,832		, <u>-</u>		_		26,832
Property and equipment, net		7,294,816		14,810		_		7,309,626
Right of use assets - operating leases, net		179,801		_		_		179,801
Right of use assets - finance leases, net		97,325		_		_		97,325
Beneficial interests in endowment funds		6,084,880		_		-		6,084,880
Total Noncurrent Assets	•	14,334,589	_	215,915	. —		-	14,550,504
TOTAL ASSETS	\$	49,414,422	\$	14,653,023	\$	(786,422)	\$	63,281,023
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Current Liabilities:	ABILL	TIES AND NET	l AS	SE12				
Accounts payable and accrued expenses	\$	1,771,229	\$	506,439	\$	_	\$	2,277,668
Deferred revenue	Ψ	4,835	Ψ	-	Ψ	_	Ψ	4,835
Operating lease liability		190,370		_		_		190,370
Finance lease liability		17,978		_		_		17,978
Due to National Foundation		75,000		_		_		75,000
Due to Foundation		786,422		_		(786,422)		-
Total Current Liabilities	•	2,845,834	· -	506,439	_	(786,422)	_	2,565,851
Noncurrent Liabilities:								
Finance lease liability		79,805		-		_		79,805
Total Noncurrent Liabilities	•	79,805	. –	-	_	-	_	79,805
Total Liabilities		2,925,639	-	506,439	· –	(786,422)	_	2,645,656
Net Assets:								
Without Donor Restrictions:								
Undesignated		15,724,726		8,371,022		_		24,095,748
Board designated		16,613,169		4,694,965		-		21,308,134
Property and equipment		7,294,816		14,810		_		7,309,626
Total Without Donor Restrictions	•	39,632,711	_	13,080,797	_		-	52,713,508
With Donor Restrictions	•	6,856,072	_	1,065,787		_	_	7,921,859
Total Net Assets	•	46,488,783	_	14,146,584	_	_	_	60,635,367
TOTAL LIABILITIES AND NET ASSETS	\$	49,414,422	\$	14,653,023	\$	(786,422)	\$	63,281,023

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, 2022

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		Foundation		Union	Eliminations		C	Consolidated
Current Assets:								
Cash and cash equivalents	\$	17,465,275	\$	12,521,702	\$	-	\$	29,986,977
Investments		15,211,592		2,203,663		-		17,415,255
Accounts receivable		1,704,996		2,500		-		1,707,496
Contributions receivable		275,300		-		-		275,300
Due from National Foundation		405,586		-		-		405,586
Due from National Union		-		1,671,323		-		1,671,323
Due from Union		698,211		-		(698,211)		-
Prepaid expenses		210,770		151,830		_		362,600
Total Current Assets		35,971,730		16,551,018	-	(698,211)		51,824,537
Noncurrent Assets:								
Contributions receivable, net		48,544		_		=		48,544
Deposits		26,832		_		_		26,832
Property and equipment, net		7,601,494		26,593		=		7,628,087
Beneficial interests in endowment funds		6,624,893		-		_		6,624,893
Total Noncurrent Assets	_	14,301,763	-	26,593	-		_	14,328,356
TOTAL ASSETS	\$	50,273,493	\$	16,577,611	\$	(698,211)	\$	66,152,893
***	=	TEC AND ME	F 4.0		=	<u> </u>	_	
	RILLI	IES AND NET	l AS	SEIS				
Current Liabilities:								
Accounts payable and accrued expenses	\$	1,922,038	\$	216,333	\$	-	\$	2,138,371
Due to National Foundation		50,150		=		=		50,150
Due to Foundation	_	_		698,211	_	(698,211)	_	-
Total Current Liabilities	_	1,972,188		914,544	_	(698,211)	_	2,188,521
Total Liabilities	_	1,972,188		914,544	_	(698,211)	_	2,188,521
Net Assets:								
Without Donor Restrictions:								
Undesignated		14,050,775		9,550,845		_		23,601,620
Board designated		19,136,264		4,817,493		_		23,953,757
Property and equipment		7,601,494		26,593		_		7,628,087
Total Without Donor Restrictions	_	40,788,533		14,394,931	-	-	_	55,183,464
With Donor Restrictions	_	7,512,772	_	1,268,136	_	<u>-</u>		8,780,908
Total Net Assets		48,301,305		15,663,067	_			63,964,372
TOTAL LIABILITIES AND NET ASSETS	\$	50,273,493	\$	16,577,611	\$	(698,211)	\$	66,152,893

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, 2023

		Foundation		Union	Eliminations		Consolidated	
Net Assets Without Donor Restrictions:								
Revenue and Support:								
Contributions	\$	11,548,673	\$	2,822,601	\$	(650,000)	\$	13,721,274
Membership contributions		-		5,595,012		-		5,595,012
In-kind contributed services		3,998,339		-		_		3,998,339
Legal awards		2,768,416		-		-		2,768,416
Other income		28,159		-		-		28,159
Investment loss		(820,740)		(3,309)		-		(824,049)
Net assets released from restrictions	_	1,861,808	_	252,416			_	2,114,224
Total Revenue and Support	_	19,384,655	_	8,666,720	_	(650,000)	_	27,401,375
Expenses:								
Program Services:								
Program services	_	16,714,429	_	9,205,376	_	(650,000)	_	25,269,805
Supporting Services:								
Management and general		2,333,889		571,709		_		2,905,598
Fundraising		1,492,158		203,770		_		1,695,928
Total Supporting Services	_	3,826,047		775,479	_	-		4,601,526
Total Expenses	_	20,540,476	_	9,980,855	_	(650,000)	_	29,871,331
Change in Net Assets Without Donor Restrictions	_	(1,155,821)	_	(1,314,135)	_	-	_	(2,469,956)
Net Assets With Donor Restrictions:								
Contributions		1,491,939		50,068		-		1,542,007
Investment loss		(286,832)		-		-		(286,832)
Net assets released from restrictions	_	(1,861,808)	_	(252,416)	_			(2,114,224)
Change in Net Assets With Donor Restrictions	_	(656,701)	_	(202,348)	_		_	(859,049)
Change in Net Assets		(1,812,522)		(1,516,483)		-		(3,329,005)
Net Assets at Beginning of Year	_	48,301,305	_	15,663,067	_	-	_	63,964,372
NET ASSETS AT END OF YEAR	\$_	46,488,783	\$	14,146,584	\$	-	\$_	60,635,367

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, 2022

		Foundation		Union		Eliminations		Consolidated
Net Assets Without Donor Restrictions:								
Revenue and Support:								
Contributions	\$	14,420,988	\$	1,583,666	\$	(600,000)	\$	15,404,654
In-kind contributed services		6,843,417		=		-		6,843,417
Membership contributions		-		6,188,793		-		6,188,793
Legal awards		2,755,377		-		-		2,755,377
Investment income		462,227		48,253		-		510,480
Other income		275,314		6,000		-		281,314
Loss on disposal of property and equipment		(15,296)		-		-		(15,296)
Net assets released from restrictions	_	2,391,297	_	262,375				2,653,672
Total Revenue and Support	_	27,133,324	_	8,089,087	_	(600,000)		34,622,411
Expenses:								
Program Services:								
Program services	_	17,985,790	_	5,448,667	_	(600,000)		22,834,457
Supporting Services:								
Management and general		2,530,963		1,037,602		-		3,568,565
Fundraising		1,559,983		299,707		-		1,859,690
Total Supporting Services		4,090,946	_	1,337,309		-		5,428,255
Total Expenses	_	22,076,736	_	6,785,976	_	(600,000)		28,262,712
Change in Net Assets Without Donor Restrictions	_	5,056,588	_	1,303,111	_			6,359,699
Net Assets With Donor Restrictions:								
Contributions		2,363,061		582,538		-		2,945,599
Investment income		203,833		-		-		203,833
Net assets released from restrictions		(2,391,297)		(262,375)		-		(2,653,672)
Change in Net Assets With Donor Restrictions	_	175,597		320,163		-	,	495,760
Change in Net Assets		5,232,185		1,623,274		-		6,855,459
Net Assets at Beginning of Year	_	43,069,120	_	14,039,793	_			57,108,913
NET ASSETS AT END OF YEAR	\$_	48,301,305	\$_	15,663,067	\$_		\$	63,964,372

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES – FOUNDATION

								Total		
		Program	N	Management				Supporting		Total
		Services	a	nd General	F	undraising	_	Services		Expenses
Administrative expenses	\$	467,809	\$	66,528	\$	86,413	\$	152,941	\$	620,750
Bad debt		-		-		-		-		-
Depreciation		308,909		57,920		19,307		77,227		386,136
Hospitality and meetings		100,375		43,097		20,645		63,742		164,117
Insurance		107,419		75,154		4,337		79,491		186,910
Interest		4,687		586		586		1,172		5,859
Litigation non-service fees		23,779		-		-		-		23,779
Occupancy		495,665		43,382		14,461		57,843		553,508
Outside services		355,515		112,045		47,576		159,621		515,136
Personnel		9,570,237		1,757,659		1,271,374		3,029,033		12,599,270
Professional expenses		4,232,833		41,713		13,794		55,507		4,288,340
Program grants		660,008		-		-		-		660,008
Sponsorship - Other Organizations		12,687		-		-		_		12,687
Taxes, permits, fees and licenses		4,115		4,030		94		4,124		8,239
Telecommunications		190,578		101,760		10,865		112,625		303,203
Travel	_	179,813	_	30,015	_	2,706		32,721	_	212,534
Total Expenses	\$_	16,714,429	\$	2,333,889	\$	1,492,158	\$	3,826,047	\$	20,540,476

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES – FOUNDATION

			Š					
							Total	
	Program	N	Management			9	Supporting	Total
	Services	a	nd General]	Fundraising		Services	 Expenses
Administrative expenses	\$ 281,815	\$	132,243	\$	91,070	\$	223,313	\$ 505,128
Bad debt	9,723		8,244		184,604		192,848	202,571
Depreciation	344,899		43,113		43,113		86,226	431,125
Hospitality and meetings	37,561		28,662		13,792		42,454	80,015
Insurance	56,090		88,113		1,225		89,338	145,428
Litigation non-service fees	10,997		-		-		-	10,997
Occupancy	351,276		191,387		4,440		195,827	547,103
Outside services	461,030		171,345		41,870		213,215	674,245
Personnel	8,196,554		1,517,903		1,168,838		2,686,741	10,883,295
Professional expenses	6,934,251		184,876		3,961		188,837	7,123,088
Program grants	1,090,000		-		-		-	1,090,000
Sponsorship - Other Organizations	55,462		-		-		-	55,462
Taxes, permits, fees and licenses	4,770		6,541		152		6,693	11,463
Telecommunications	100,420		140,177		5,018		145,195	245,615
Travel	50,942	_	18,359	_	1,900	_	20,259	 71,201
Total Expenses	\$ 17,985,790	\$	2,530,963	\$	1,559,983	\$_	4,090,946	\$ 22,076,736

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES – UNION

				(
		Program Services		Management and General		Fundraising	Š	Total Supporting Services		Total Expenses
Administrative expenses	\$	382,289	\$	15,968	\$	11,621	\$	27,589	\$	409,878
Depreciation		92,069		10,832		5,416		16,248		108,317
Hospitality and meetings		45,969		9,789		1,886		11,675		57,644
Insurance		112,011		29,798		6,589		36,387		148,398
Occupancy		124,890		7,230		3,615		10,845		135,735
Outside services		269,713		27,653		5,518		33,171		302,884
Personnel		1,825,851		431,837		146,068		577,905		2,403,756
Professional expenses		62,546		22,374		3,477		25,851		88,397
Program grants		5,948,286		-		_		-		5,948,286
Sponsorship - Other Organizations		23,731		-		-		-		23,731
Taxes, permits, fees and licenses		3,523		1,255		26		1,281		4,804
Telecommunications		280,752		7,845		19,183		27,028		307,780
Travel	_	33,746	_	7,128	-	371	_	7,499	_	41,245
Total Expenses	\$	9,205,376	\$	571,709	\$	203,770	\$_	775,479	\$	9,980,855

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF NORTHERN CALIFORNIA, INC. AND AMERICAN CIVIL LIBERTIES UNION OF NORTHERN CALIFORNIA SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES – UNION

		Č		Management and General		undraising		Total Supporting Services		Total Expenses
Administrative expenses	\$	233,325	\$	26,448	\$	20,682	\$	47,130	\$	280,455
Depreciation		18,799		2,350		2,350		4,700		23,499
Hospitality and meetings		28,430		7,507		1,598		9,105		37,535
Insurance		38,658		99,967		1,290		101,257		139,915
Occupancy		89,835		45,998		917		46,915		136,750
Outside services		292,993		45,150		5,014		50,164		343,157
Personnel		2,222,380		713,963		251,409		965,372		3,187,752
Professional expenses		46,295		55,163		818		55,981		102,276
Program grants		2,261,422		-		-		-		2,261,422
Sponsorship - Other Organizations		18,170		-		-		-		18,170
Taxes, permits, fees and licenses		8,163		1,862		37		1,899		10,062
Telecommunications		183,611		34,790		15,343		50,133		233,744
Travel	_	6,586	_	4,404	_	249	_	4,653	_	11,239
Total Expenses	\$	5,448,667	\$	1,037,602	\$	299,707	\$_	1,337,309	\$	6,785,976