



**AMERICAN CIVIL LIBERTIES UNION FOUNDATION  
OF MASSACHUSETTS**

**FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

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MARCH 31, 2011 AND 2010

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CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

*Where Every Client Is A Valued Client*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
American Civil Liberties Union Foundation of Massachusetts:

We have audited the accompanying statements of financial position of American Civil Liberties Union Foundation of Massachusetts (a Massachusetts corporation, not for profit) (the Foundation) as of March 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation of Massachusetts as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Alexander Aronson, Finning &amp; Co, PC'. The signature is written in a cursive, flowing style.

Wellesley, Massachusetts  
September 19, 2011

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2011 AND 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 351,677	\$ 1,700,935
Certificates of deposit	104,254	103,343
Accounts and pledges receivable	217,165	32,020
Distributions receivable	-	46,464
Due from National	738,459	451,862
Prepaid expenses and other assets	30,556	31,103
Total current assets	1,442,111	2,365,727
<b>SECURITY DEPOSIT</b>	11,745	11,745
<b>INVESTMENTS</b>	3,254,085	763,174
<b>BILL OF RIGHTS TRUST</b>	1,387,588	1,295,728
<b>PROPERTY AND EQUIPMENT, net</b>	63,284	75,342
Total assets	<u>\$ 6,158,813</u>	<u>\$ 4,511,716</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 42,073	\$ 32,500
Accrued expenses	109,550	95,447
Deferred revenue	55,150	46,550
Due to Union	5,035	369,713
Total current liabilities	211,808	544,210
<b>NET ASSETS:</b>		
Unrestricted:		
Operating	3,194,744	2,596,436
Bill of Rights Trust	1,387,588	1,295,728
Board designated	1,301,389	-
Property and equipment	63,284	75,342
Total unrestricted net assets	5,947,005	3,967,506
Total liabilities and net assets	<u>\$ 6,158,813</u>	<u>\$ 4,511,716</u>

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

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>SUPPORT AND REVENUE:</b>		
Bequests	\$ 1,732,534	\$ 1,663,279
Contributions	1,364,315	1,046,068
Special events	344,196	127,755
Grants	48,000	107,353
Legal awards	47,526	-
Investment income	20,566	53,126
Donated legal services	8,197	6,984
Other	5,794	15,418
	<hr/>	<hr/>
Total support and revenue	3,571,128	3,019,983
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Program services	985,922	856,282
General and administrative	309,266	264,997
Fundraising	528,500	400,713
	<hr/>	<hr/>
Total operating expenses	1,823,688	1,521,992
	<hr/>	<hr/>
Changes in unrestricted net assets from operations	1,747,440	1,497,991
	<hr/>	<hr/>
<b>UNREALIZED GAINS ON INVESTMENTS</b>	178,735	518,203
	<hr/>	<hr/>
<b>REALIZED GAINS (LOSSES) ON INVESTMENTS</b>	53,324	(31,326)
	<hr/>	<hr/>
Changes in unrestricted net assets	1,979,499	1,984,868
	<hr/>	<hr/>
<b>NET ASSETS, beginning of year</b>	3,967,506	1,982,638
	<hr/>	<hr/>
<b>NET ASSETS, end of year</b>	<u>\$ 5,947,005</u>	<u>\$ 3,967,506</u>

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

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 1,979,499	\$ 1,984,868
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation	22,274	17,997
Unrealized gains on investments	(178,735)	(518,203)
Realized (gains) losses on investments	(53,324)	31,326
Changes in operating assets and liabilities:		
Accounts and pledges receivable	(185,145)	27,209
Distributions receivable	46,464	(41,209)
Due from National	(286,597)	(443,127)
Prepaid expenses and other assets	547	(2,464)
Accounts payable	9,573	25,383
Accrued expenses	14,103	(10,220)
Deferred revenue	8,600	46,550
Due to Union	<u>(364,678)</u>	<u>45,058</u>
Net cash provided by operating activities	<u>1,012,581</u>	<u>1,163,168</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	948,470	59,140
Purchase of investments	(3,299,182)	(52,522)
Purchase of property and equipment	(10,216)	(11,487)
Redemption (reinvestment of interest) of certificates of deposit	<u>(911)</u>	<u>46,657</u>
Net cash provided by (used in) investing activities	<u>(2,361,839)</u>	<u>41,788</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,349,258)</b>	<b>1,204,956</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u><b>1,700,935</b></u>	<u><b>495,979</b></u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u><b>\$ 351,677</b></u></u>	<u><u><b>\$ 1,700,935</b></u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cost basis of fully depreciated property and equipment disposed	<u><u><b>\$ 67,262</b></u></u>	<u><u><b>\$ -</b></u></u>

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

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011**

(With Summarized Comparative Totals for the Year Ended March 31, 2010)

	2011					2010
	<u>PROGRAM SERVICES</u>			<u>GENERAL AND ADMINIS- TRATIVE</u>		
	<u>LITIGATION</u>	<u>EDUCATION</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>	<u>TOTAL</u>
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 324,783	\$ 205,408	\$ 530,191	\$ 183,938	\$ 209,844	\$ 777,190
Employee benefits	45,933	52,777	98,710	35,802	57,173	172,291
Payroll taxes	26,653	17,666	44,319	14,319	16,874	69,325
Total personnel and related expenses	<u>397,369</u>	<u>275,851</u>	<u>673,220</u>	<u>234,059</u>	<u>283,891</u>	<u>1,018,806</u>
<b>OTHER EXPENSES:</b>						
Special events	3,151	16,680	19,831	3,656	111,168	90,712
Occupancy	46,315	29,550	75,865	21,584	27,087	128,310
Consultants and contractors	68,120	17,485	85,605	-	6,246	64,522
Printing and publishing	2,377	8,100	10,477	1,459	50,802	33,439
Technology	8,570	7,696	16,266	4,564	13,194	37,188
Travel	6,417	11,155	17,572	3,921	7,514	11,138
Books, subscriptions and dues	23,268	813	24,081	3,203	476	31,576
Depreciation	7,021	8,713	15,734	2,520	4,020	17,997
Postage	1,434	4,738	6,172	585	9,620	20,421
Fees and services	3,016	1,963	4,979	2,421	7,059	12,549
Accounting	-	-	-	14,431	-	14,117
Office and supplies	3,730	3,533	7,263	2,376	3,231	8,004
Insurance	7,819	251	8,070	1,461	252	9,481
Telephone	3,362	944	4,306	3,652	1,221	7,273
Donated legal services	-	-	-	8,197	-	6,984
Awards and grants	-	8,000	8,000	-	-	-
Miscellaneous	2,090	1,618	3,708	14	580	2,139
Meetings and conferences	975	1,511	2,486	325	1,355	630
Equipment lease and maintenance	1,310	977	2,287	838	784	6,706
Total other expenses	<u>188,975</u>	<u>123,727</u>	<u>312,702</u>	<u>75,207</u>	<u>244,609</u>	<u>503,186</u>
Total expenses	<u>\$ 586,344</u>	<u>\$ 399,578</u>	<u>\$ 985,922</u>	<u>\$ 309,266</u>	<u>\$ 528,500</u>	<u>\$ 1,521,992</u>

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

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<u>PROGRAM SERVICES</u>			<u>GENERAL AND ADMINIS- TRATIVE</u>	<u>FUND- RAISING</u>	<u>TOTAL</u>
	<u>LITIGATION</u>	<u>EDUCATION</u>	<u>TOTAL PROGRAM SERVICES</u>			
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 324,621	\$ 153,709	\$ 478,330	\$ 147,458	\$ 151,402	\$ 777,190
Employee benefits	60,394	36,874	97,268	36,225	38,798	172,291
Payroll taxes	26,467	12,433	38,900	12,072	18,353	69,325
Total personnel and related expenses	411,482	203,016	614,498	195,755	208,553	1,018,806
<b>OTHER EXPENSES:</b>						
Special events	1,392	5,731	7,123	3,858	79,731	90,712
Occupancy	56,450	10,373	66,823	20,664	40,823	128,310
Consultants and contractors	56,526	3,547	60,073	409	4,040	64,522
Printing and publishing	753	14,866	15,619	426	17,394	33,439
Technology	13,962	6,900	20,862	4,276	12,050	37,188
Travel	2,079	1,594	3,673	3,407	4,058	11,138
Books, subscriptions and dues	24,082	4,396	28,478	2,100	998	31,576
Depreciation	6,328	2,876	9,204	2,970	5,823	17,997
Postage	1,913	5,129	7,042	665	12,714	20,421
Fees and services	2,675	741	3,416	2,002	7,131	12,549
Accounting	-	-	-	14,117	-	14,117
Office and supplies	3,147	701	3,848	1,474	2,682	8,004
Insurance	8,098	56	8,154	1,103	224	9,481
Telephone	2,754	506	3,260	2,568	1,445	7,273
Donated legal services	-	-	-	6,984	-	6,984
Miscellaneous	210	8	218	1,331	590	2,139
Meetings and conferences	-	380	380	250	-	630
Equipment lease and maintenance	2,854	757	3,611	638	2,457	6,706
Total other expenses	183,223	58,561	241,784	69,242	192,160	503,186
Total expenses	\$ 594,705	\$ 261,577	\$ 856,282	\$ 264,997	\$ 400,713	\$ 1,521,992

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

# AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2011 AND 2010

### (1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

#### **OPERATIONS AND NONPROFIT STATUS**

American Civil Liberties Union Foundation of Massachusetts (the Foundation) is the Massachusetts affiliate of the American Civil Liberties Union Foundation (the National Foundation), a national nonprofit corporation established in 1920 to defend the freedoms guaranteed in the Constitution and Bill of Rights and educate the population about civil liberties through their litigation and education programs. The Foundation is also affiliated with the American Civil Liberties Union of Massachusetts, Inc. (the Union) through shared management.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the Internal Revenue Code requirements.

#### **SIGNIFICANT ACCOUNTING POLICIES**

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

#### Net Assets

##### **Unrestricted Net Assets**

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its unrestricted net assets into the following categories:

**Operating net assets** represent amounts which are available for operations and bear no external restrictions

**Bill of Rights Trust net assets** represent amounts which have been designated by the Board of Trustees as funds functioning as an endowment (see page 10).

**Board Designated net assets** represent amounts which have been designated by the Board of Trustees to implement key elements of the five-year strategic plan.

**Property and equipment net assets** represent amounts expended and resources available for property and equipment.

#### Revenue Recognition

The Foundation reports contributions, grants and bequests as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions, grants and bequests received and satisfied in the same year are recorded as unrestricted net assets. Unrestricted contributions, grants and bequests are recognized when received or unconditionally committed.

Special event revenue is recorded when pledged or when the event occurs.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Deferred Revenue

Deferred revenue consists of funds received in advance of being earned.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Cash and Cash Equivalents

For financial statement purposes, management considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Certificates of Deposit

Certificates of deposit consist of two certificates of deposit (CDs) with initial maturities of four to six months and mature at various dates through September, 2011.

Allowance for Doubtful Accounts

An allowance for potentially uncollectible accounts and pledges receivable is provided based upon management's assessment of potential defaults. This assessment includes such factors as collection history and type of receivable. No allowance was deemed necessary as of March 31, 2011 and 2010.

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Donated equipment is recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<b><u>Estimated Useful Lives</u></b>
Computer equipment	5 years
Leasehold improvements	Term of lease
Office equipment	5 – 7 years
Furniture and fixtures	7 years

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Legal Services

The Foundation receives donated services in support of various aspects of its programs. The value assigned to these services as of March 31, 2011 and 2010, based on the donor's estimate of the fair value of services provided, was \$8,197 and \$6,984, respectively, and is reflected as donated legal services in the accompanying financial statements.

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Total advertising expense for the years ended March 31, 2011 and 2010 was \$1,686 and \$1,197, respectively

Beneficial Interests

The Foundation is a beneficiary under the terms of various trust agreements and wills. The exact value of such interests and the time at which rights to these interests become vested in the Foundation is dependent upon certain future events over which the Foundation has no control. Accordingly, the Foundation has not recorded these interests in the accompanying financial statements.

Estimates

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

Fair Value

The Foundation follows the criteria of *Fair Value Measurements* standards under U.S. GAAP. These standards define fair value, describe a framework for measuring fair value, and specify required disclosures. Fair value, where applicable, is determined using a hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Investments (see Note 3) consist of the Foundation's holdings of marketable securities and an alternative investment held for purposes of financial returns. The alternative investment consists of an interest in CRB Media, LLC in which the Foundation is a member. Distributions reduce the Foundation's cost basis. Valuation of this alternative investment is estimated by the Foundation's management using data obtained from CRB Media, LLC. Therefore, the value presented herein for this investment is not necessarily indicative of the amount that the Foundation could realize in a current transaction. The estimated value may differ significantly from the value that would have been used had a ready market existed and that difference could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on those estimates of fair value could be material.

Investment income includes interest, dividends and mutual fund distributions of investments which are recorded when earned or declared. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains or losses are recorded based upon changes in the fair market value of investments held.

Bill of Rights Trust

The Bill of Rights Trust (see Notes 3 and 6) represents the Foundation's unit holdings in the National Endowment (the National Endowment) held by the National Foundation, which is a separate organization holding a common investment pool in which the Foundation and other affiliated foundations may participate. The National Endowment's underlying investments are primarily cash, fixed income securities and international securities which are publicly traded.

Investment income includes interest and distributions of investments which are recorded when earned or declared. Realized gains and losses on investment transactions are recorded based on the average cost method.

Subsequent Events

Subsequent events have been evaluated through September 19, 2011, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Grants Awarded

The Foundation expenses grant awards when they are unconditionally voted by the Board of Trustees. Grant awards are in the form of direct cash payments. During fiscal year 2011, the Foundation provided \$8,000 grant awards.

Uncertainty in Income Taxes

The Foundation follows the *Accounting for Uncertainty in Income Taxes* standard under U.S. GAAP which requires the Foundation to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of March 31, 2011 and 2010, the Foundation determined that there are no material unrecognized tax benefits to report. The Foundation does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months. Information returns filed for the last three fiscal years ended March, 31, 2010, remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts.

(2) **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at March 31:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 44,411	\$101,457
Leasehold improvements	53,830	53,830
Office equipment	30,305	30,305
Furniture and fixtures	<u>29,518</u>	<u>29,518</u>
	158,064	215,110
Less - accumulated depreciation	<u>94,780</u>	<u>139,768</u>
	<u>\$ 63,284</u>	<u>\$ 75,342</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2011 AND 2010**

(Continued)

**(3) INVESTMENTS AND BILL OF RIGHTS TRUST**

Investments and the Bill of Rights Trust are presented in the accompanying financial statements at fair value (see Note 1) and are comprised of the following as of March 31:

<u>2011</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments:			
Daily Money Market	\$ 662,500	\$ 662,500	\$ -
Equities:			
Global emerging market mutual funds	347,369	351,913	4,544
Domestic markets	435,493	457,726	22,233
Sub-total equities	<u>782,862</u>	<u>809,639</u>	<u>26,777</u>
Fixed Income:			
Government - long-term	541,900	542,955	1,055
Government - short-term	651,201	651,369	168
Sub-total fixed income	<u>1,193,101</u>	<u>1,194,324</u>	<u>1,223</u>
Dynamic asset overlay	<u>580,632</u>	<u>583,753</u>	<u>3,121</u>
Alternative:			
Investment in CRB Media, LLC	<u>29,949</u>	<u>3,087</u>	<u>(26,862)</u>
Accrued income on investments	<u>782</u>	<u>782</u>	<u>-</u>
Total investments	<u>3,249,826</u>	<u>3,254,085</u>	<u>4,259</u>
Bill of Rights Trust:			
National Endowment	<u>710,424</u>	<u>1,387,588</u>	<u>677,164</u>
Total investments and Bill of Rights Trust	<u>\$3,960,250</u>	<u>\$4,641,673</u>	<u>\$681,423</u>
<u>2010</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments:			
Stocks and bonds:			
Bonds	\$ 231,413	\$ 299,920	\$ 68,507
Stocks	519,879	456,242	(63,637)
Sub-total stocks and bonds	<u>751,292</u>	<u>756,162</u>	<u>4,870</u>
Alternative:			
Investment in CRB Media, LLC	<u>33,574</u>	<u>7,012</u>	<u>(26,562)</u>
Total investments	<u>784,866</u>	<u>763,174</u>	<u>(21,692)</u>
Bill of Rights Trust:			
National Endowment	759,552	1,275,673	516,121
Article V Fund (see Note 6)	11,796	20,055	8,259
Sub-total Bill of Rights Trust	<u>771,348</u>	<u>1,295,728</u>	<u>524,380</u>
Total investments and Bill of Rights Trust	<u>\$1,556,214</u>	<u>\$2,058,902</u>	<u>\$502,688</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2011 AND 2010**

(Continued)

**(3) INVESTMENTS AND BILL OF RIGHTS TRUST (Continued)**

The following table presents the fair value measurements of the Foundation's investments by level within the valuation framework as of March 31:

<u>2011</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Investments:				
Daily Money Market	\$ 662,500	\$ -	\$ -	\$ 662,500
Equities:				
Global emerging market mutual funds	351,913	-	-	351,913
Domestic markets	457,726	-	-	457,726
Fixed income:				
Government - long-term	-	542,955	-	542,955
Government - short-term	651,369	-	-	651,369
Dynamic asset overlay	-	583,753	-	583,753
Alternatives:				
Bill of Rights Trust	-	-	1,387,588	1,387,588
Investment in CRB Media, LLC	-	-	3,087	3,087
Accrued interest on investments	<u>782</u>	<u>-</u>	<u>-</u>	<u>782</u>
Total investments and Bill of Rights Trust	<u>\$2,124,290</u>	<u>\$1,126,708</u>	<u>\$1,390,675</u>	<u>\$4,641,673</u>
<u>2010</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Investments:				
Bonds	\$ 299,920	\$ -	\$ -	\$ 299,920
Stocks	456,242	-	-	456,242
Alternatives:				
Bill of Rights Trust	-	20,055	1,275,673	1,295,728
Investment in CRB Media, LLC	<u>-</u>	<u>-</u>	<u>7,012</u>	<u>7,012</u>
Total investments and Bill of Rights Trust	<u>\$ 756,162</u>	<u>\$ 20,055</u>	<u>\$1,282,685</u>	<u>\$2,058,902</u>

The following table presents a reconciliation of activity for the investments classified within Level 3 for the years ended March 31:

March 31, 2009	\$ 993,878
Distributions	(51,709)
Net unrealized gains	<u>340,516</u>
March 31, 2010	1,282,685
Distributions	(52,753)
Net unrealized gains	<u>160,743</u>
March 31, 2011	<u>\$1,390,675</u>

**AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2011 AND 2010**

(Continued)

**(3) INVESTMENTS AND BILL OF RIGHTS TRUST (Continued)**

Unrealized gains on investments are as follows as of March 31:

<u>2011</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
March 31, 2011	\$3,960,250	\$4,641,673	\$681,423
March 31, 2010	\$1,556,214	\$2,058,902	<u>502,688</u>
Unrealized gains on investments			<u>\$178,735</u>

  

<u>2010</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
March 31, 2010	\$1,556,214	\$2,058,902	\$502,688
March 31, 2009	\$1,594,158	\$1,578,643	<u>(15,515)</u>
Unrealized gains on investments			<u>\$518,203</u>

**(4) RELATED PARTY TRANSACTIONS**

American Civil Liberties Union of Massachusetts, Inc.

American Civil Liberties Union of Massachusetts, Inc. (the Union) is the Massachusetts affiliate of the American Civil Liberties Union, Inc. (the National Union), a national nonprofit corporation established in 1920 to defend the freedoms guaranteed in the Constitution and Bill of Rights and educate the population about civil liberties through its litigation and education programs. The Union's major source of revenue comes from membership dues paid by members throughout Massachusetts.

The Union is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(4) of the Internal Revenue Code.

The Foundation shares administrative expenses with the Union. The amount allocated to each organization is based on use. At March 31, 2011 and 2010, the amount due to the Union was \$5,035 and \$369,713, respectively. Total allocated salary, rent and utility expenses for which the Union charged the Foundation was \$132,447 and \$61,974 for the years ended March 31, 2011 and 2010, respectively.

American Civil Liberties Union Foundation

American Civil Liberties Union Foundation (the National Foundation) is a nonprofit corporation established to preserve the civil liberties and defend freedoms guaranteed in the Constitution and Bill of Rights. The Foundation is an affiliated chapter of the National Foundation. The National Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(4) **RELATED PARTY TRANSACTIONS** (Continued)

American Civil Liberties Union Foundation (Continued)

The Foundation and the National Foundation must share certain contributions and bequests as defined in the affiliation agreement. Below is a summary of the amounts owed by the National Foundation to the Foundation as of March 31:

	<u>2011</u>	<u>2010</u>
Final bequest reconciliation due from the National Foundation	\$738,459	\$452,377
Other expenses due to the National Foundation	<u>-</u>	<u>(515)</u>
Net amount due from National Foundation	<u>\$738,459</u>	<u>\$451,862</u>

(5) **RETIREMENT PLANS**

The Foundation participates in a single-employer, non-contributory, defined benefit retirement plan through the National Union. The plan covers all employees satisfying minimum age and service requirements. Benefits are paid to eligible employees at retirement based on years of services and compensation.

The total pension expense is allocated to the Foundation based on the number of participating employees. Pension expense was \$51,179 and \$67,797 for the years ended March 31, 2011 and 2010, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the pension plan and, accordingly, such information is not presented herein. At March 31, 2011 and 2010, the financial statements of the pension plan reflected \$55,223,200 and \$47,699,569 in net assets available for benefits and \$73,193,302 and \$62,707,183 in accumulated plan benefits, respectively.

The Foundation also participates in a qualified salary reduction 401(k) plan through the National Union. The salary reduction plan covers substantially all of its employees who have met the eligibility requirements. The Foundation will match 100% of the first 1% an employee contributes to the plan plus 50% of the next 5% an employee contributes. There is also an automatic 2% employer contribution made each pay period. The Foundation's contributions vest after two years of employment. Total contributions to the plan for the years ended March 31, 2011 and 2010, was \$9,667 and \$3,966, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(6) **BILL OF RIGHTS TRUST**

During 1997, the National Foundation established the Bill of Rights Trust (the Trust). The purpose of the Trust is to build an enduring endowment to carry out the work of the National Foundation and affiliated foundations in protecting, preserving and expanding the civil liberties of all persons in the United States. The Trust has 100,000,000 authorized units (of which 5,382,647 and 5,625,026 are outstanding as of March 31, 2011 and 2010, respectively) which are issued to or among the National Foundation and affiliated foundations based upon their respective interest in the Trust. Unit shares have a unit value based upon the fair value of the net assets of the Trust divided by the total number of unit shares outstanding. The Trust provides for annual distributions based upon a percentage of the fair value of each unit share. The Foundation owns 101,298 unit shares in the Trust with a cost basis of \$710,424 and \$771,348 as of March 31, 2011 and 2010, respectively (see Note 3). The investment goals of the Trust are to invest assets in a prudent manner that will balance a reasonable distribution to the National Foundation and affiliated foundations and a long-term growth in the value of the assets of the Trust.

These funds are unrestricted. The funds, however, are subject to certain withdrawal limitations as disclosed in the Trust agreement. Under the National Foundation's spending policy, the Foundation receives 4% of the three-year average of the fair value of the investments at the beginning of each of the preceding three fiscal years. Distributions are typically in the form of cash or additional unit shares of the fund having a fair market value at the date of distribution as defined in the Trust agreement. As of March 31, 2011 and 2010, the National Foundation determined the annual distribution to the Foundation to be \$60,924 and \$52,522, respectively. The total distribution outstanding as of March 31, 2010, net of fees related to managing the Foundation's share in the Trust, was \$46,464, which is included in due from National in the accompanying 2010 statement of financial position. This distribution was paid in full during fiscal year 2011. There was no distribution receivable at March 31, 2011.

The Foundation follows guidance related to treatment of *Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (the Act). The Act provides guidance on the net asset classification of donor restricted endowment funds for not-for-profit organizations. Under the Act, subject to the intent a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Under this policy, in no event shall such distribution reduce the value of the permanently restricted endowment below the historical dollar value. Endowment income is restricted for program purposes.

The Foundation has designated its investment in the Trust as funds functioning as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

During fiscal year 2009, the Foundation formed the Article V Fund (see Note 3). The purpose of this fund is to support the operations of the Foundation. The Foundation has immediate access and has the ability to withdrawal from this fund upon their discretion. During fiscal year 2011, the Foundation liquidated this investment account and received a distribution of \$11,796, which is included in the annual distribution listed above.

AMERICAN CIVIL LIBERTIES UNION FOUNDATION OF MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

(Continued)

(6) **BILL OF RIGHTS TRUST** (Continued)

The Foundation's Board designated assets had the following activity for the year ended March 31:

	<b><u>Board Designated</u></b>
Bill of Rights Trust net assets, March 31, 2009	\$ 989,010
Net investment gains	361,063
Distributions	(52,522)
Expenses and fees	<u>(1,823)</u>
Bill of Rights Trust net assets, March 31, 2010	1,295,728
Net investment gains	154,946
Distributions	(60,924)
Expenses and fees	<u>(2,162)</u>
Bill of Rights Trust net assets, March 31, 2011	<u>\$1,387,588</u>

(7) **CONCENTRATIONS**

The Foundation maintains its cash balances in a Massachusetts bank and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in the accounts. The Foundation's management believes the Foundation is not exposed to any significant credit risk related to these accounts.

At March 31, 2011, approximately 81% of accounts and pledges receivable were due from three donors.

(8) **CONTINGENCIES**

The Foundation, from time-to-time, represents clients who are the defendants in lawsuits. It is management's experience and the opinion of legal counsel that the Foundation will not be subjected to any potential liability as a result of the representation of these clients. Accordingly, no amounts have been reflected in the accompanying financial statements for any potential liability resulting from representing clients in these lawsuits.

(9) **RECLASSIFICATION**

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation.