



**AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.**

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

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

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MARCH 31, 2011 AND 2010

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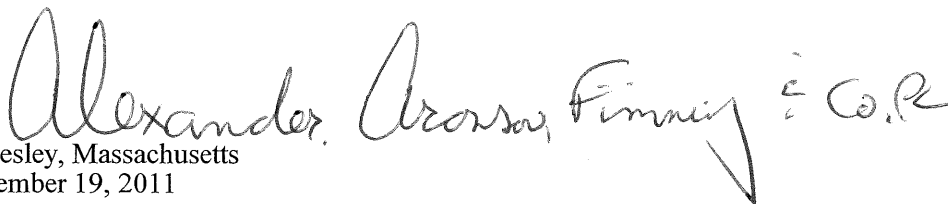
## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
American Civil Liberties Union of Massachusetts, Inc.:

We have audited the accompanying statements of financial position of American Civil Liberties Union of Massachusetts, Inc. (a Massachusetts corporation, not for profit) (the Union) as of March 31, 2011 and 2010, and the related statements of activities and change in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Union'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 of Massachusetts, Inc. 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.



Wellesley, Massachusetts  
September 19, 2011

**AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.**

**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	\$ 426,071	\$ 197,375
Certificates of deposit	167,115	165,890
Accounts receivable	-	570
Due from National	105,698	66,322
Due from Foundation	5,035	369,713
Prepaid expenses	14,200	-
Total current assets	718,119	799,870
<b>LEASEHOLD IMPROVEMENTS, net</b>	12,736	15,620
Total assets	<u>\$ 730,855</u>	<u>\$ 815,490</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 716	\$ 13,889
Accrued expenses	32,396	28,686
Current portion of deferred rent	17,744	3,157
Total current liabilities	50,856	45,732
<b>DEFERRED RENT, net of current portion</b>	73,470	91,214
Total liabilities	<u>124,326</u>	<u>136,946</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Operating	593,793	662,924
Leasehold improvements	12,736	15,620
Total unrestricted net assets	<u>606,529</u>	<u>678,544</u>
Total liabilities and net assets	<u>\$ 730,855</u>	<u>\$ 815,490</u>

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

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

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

	<u>2011</u>	<u>2010</u>
<b>SUPPORT AND REVENUE:</b>		
Membership income	\$ 470,275	\$ 449,742
Contributions	74,447	28,845
Bequests	43,451	3,750
Donated legal services	2,049	6,984
Interest	1,529	4,901
Other	1,357	3,104
Conference fees	-	5,122
	<hr/>	<hr/>
Total support and revenue	593,108	502,448
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Program services	502,644	484,954
General and administrative	162,479	157,498
	<hr/>	<hr/>
Total operating expenses	665,123	642,452
	<hr/>	<hr/>
Change in unrestricted net assets	(72,015)	(140,004)
<b>NET ASSETS, beginning of year</b>	<hr/> 678,544	<hr/> 818,548
<b>NET ASSETS, end of year</b>	<hr/> <u>\$ 606,529</u>	<hr/> <u>\$ 678,544</u>

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

**AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.**

**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>		
Change in net assets	\$ (72,015)	\$ (140,004)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,884	1,682
Changes in operating assets and liabilities:		
Accounts receivable	570	(165)
Due from National	(39,376)	(10,355)
Due from Foundation	364,678	(45,058)
Prepaid expenses	(14,200)	-
Accounts payable	(13,173)	10,849
Accrued expenses	3,710	(7,029)
Deferred rent	<u>(3,157)</u>	<u>(3,158)</u>
Net cash provided by (used in) operating activities	229,921	(193,238)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of and reinvestment of interest on certificates of deposit	<u>(1,225)</u>	<u>(4,632)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	228,696	(197,870)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>197,375</u>	<u>395,245</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 426,071</u></u>	<u><u>\$ 197,375</u></u>

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

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011  
(with summarized comparative totals for the year ended March 31, 2010)

	2011				2010	
	PROGRAM SERVICES				GENERAL	
	LEGISLA- TIVE	EDUCATION	MEMBERSHIP DEVELOPMENT	TOTAL PROGRAM SERVICES	AND ADMINIS- TRATIVE	TOTAL
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 133,952	\$ 96,444	\$ 48,887	\$ 279,283	\$ 93,607	\$ 317,025
Employee benefits	27,134	18,314	12,755	58,203	19,157	77,508
Payroll taxes	12,353	8,725	4,450	25,528	7,749	29,256
Total personnel and related expenses	173,439	123,483	66,092	363,014	120,513	423,789
<b>OTHER EXPENSES:</b>						
Occupancy	20,395	16,064	6,273	42,732	10,180	57,175
Technology	7,466	17,364	7,852	32,682	1,874	36,918
Consultants	457	390	13,471	14,318	15,926	12,481
Postage	575	6,881	5,272	12,728	49	11,550
Books, subscriptions and dues	8,818	924	10	9,752	10	8,146
Accounting	-	-	-	-	7,676	7,764
Printing and publishing	350	4,579	937	5,866	-	34,122
Office expenses and supplies	578	3,368	198	4,144	545	3,858
Fees and services	1,431	990	1,144	3,565	601	4,442
Special events	187	2,955	201	3,343	688	16,938
Travel	1,269	1,707	-	2,976	178	4,423
Telephone	302	2,319	99	2,720	304	3,582
Depreciation	1,407	640	542	2,589	295	1,682
Donated legal services	-	-	-	-	2,049	6,984
Insurance	191	119	60	370	1,378	1,914
Equipment lease and maintenance	347	168	82	597	132	3,911
Meetings and conferences	325	378	-	703	-	200
Miscellaneous	200	345	-	545	81	765
Merchandise	-	-	-	-	-	1,808
Total other expenses	44,298	59,191	36,141	139,630	41,966	218,663
Total expenses	\$ 217,737	\$ 182,674	\$ 102,233	\$ 502,644	\$ 162,479	\$ 642,452

The accompanying notes are an integral part of these statements.

**AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.**

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

2010						
	PROGRAM SERVICES				GENERAL	
	LEGISLA- TIVE	EDUCATION	MEMBERSHIP DEVELOPMENT	TOTAL PROGRAM SERVICES	AND ADMINIS- TRATIVE	TOTAL
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 124,466	\$ 75,450	\$ 36,333	\$ 236,249	\$ 80,776	\$ 317,025
Employee benefits	29,614	12,802	10,867	53,283	24,225	77,508
Payroll taxes	11,986	7,190	3,377	22,553	6,703	29,256
Total personnel and related expenses	166,066	95,442	50,577	312,085	111,704	423,789
<b>OTHER EXPENSES:</b>						
Occupancy	21,705	15,214	8,362	45,281	11,894	57,175
Technology	6,922	23,824	2,794	33,540	3,378	36,918
Consultants	377	744	563	1,684	10,797	12,481
Postage	615	9,995	566	11,176	374	11,550
Books, subscriptions and dues	6,714	1,308	111	8,133	13	8,146
Accounting	-	-	-	-	7,764	7,764
Printing and publishing	149	16,144	17,772	34,065	57	34,122
Office expenses and supplies	874	2,188	332	3,394	464	3,858
Fees and services	1,421	864	1,119	3,404	1,038	4,442
Special events	174	15,624	908	16,706	232	16,938
Travel	845	3,471	13	4,329	94	4,423
Telephone	785	2,430	124	3,339	243	3,582
Depreciation	662	331	314	1,307	375	1,682
Donated legal services	-	-	-	-	6,984	6,984
Insurance	462	167	120	749	1,165	1,914
Equipment lease and maintenance	1,641	776	590	3,007	904	3,911
Meetings and conferences	-	200	-	200	-	200
Miscellaneous	102	629	16	747	18	765
Merchandise	-	1,808	-	1,808	-	1,808
Total other expenses	43,448	95,717	33,704	172,869	45,794	218,663
Total expenses	<u>\$ 209,514</u>	<u>\$ 191,159</u>	<u>\$ 84,281</u>	<u>\$ 484,954</u>	<u>\$ 157,498</u>	<u>\$ 642,452</u>

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



AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

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 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 Union is also exempt from state income taxes.

**SIGNIFICANT ACCOUNTING POLICIES**

The Union 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 Union. The Union has grouped its unrestricted net assets into the following categories:

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

**Leasehold improvements net assets** represent amounts expended and resources available for leasehold improvements.

Revenue Recognition

The Union reports contributions 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 statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions and bequests received and satisfied in the same year are recorded as unrestricted net assets. Unrestricted contributions are recognized when received or unconditionally committed.

Membership income, special event income, conference fees, interest and other income are recognized as earned. Bequests are recorded when received.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit consist of five certificates of deposit (CDs) with initial maturities of four to eight months and mature at various dates through November, 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.

Leasehold Improvements and Depreciation

Leasehold improvements are recorded at cost (see Note 2). Renewals and betterments are capitalized while repairs and maintenance are charged to expense as they are incurred. Depreciation is computed using the straight-line method over the lesser of the estimated useful life of the lease or 5 years.

Donated Legal Services

The Union receives donated legal services in support of various aspects of its programs. The value assigned to these services, based on the donor's estimate of the fair value, has been reflected in the accompanying financial statements as donated legal services totaling \$2,049 and \$6,984 for the years ended March 31, 2011 and 2010, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Beneficial Interests

The Union 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 Union is dependent upon certain future events over which the Union has no control. Accordingly, the Union has not recorded these interests in the accompanying financial statements.

Fair Value

The Union follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The Union values its qualifying assets and liabilities using Level I inputs. Level I inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. 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.

Uncertainty Income Taxes

The Union follows the *Accounting for Uncertainty in Income Taxes* standard under U.S. GAAP, which requires the Union 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 Union determined that there are no material unrecognized tax benefits to report. The Union 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.

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.

(2) LEASEHOLD IMPROVEMENTS

Leasehold improvements consist of the following at March 31:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$23,070	\$23,070
Less - accumulated depreciation	<u>10,334</u>	<u>7,450</u>
Leasehold improvements, net	<u>\$12,736</u>	<u>\$15,620</u>

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
(Continued)

(3) RELATED PARTY TRANSACTIONS

American Civil Liberties Union Foundation of Massachusetts

The American Civil Liberties Union Foundation of Massachusetts (the Foundation) is a 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 affiliated with 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 Union shares administrative expenses with the Foundation. The amount allocated to each organization is based on use. The amount due from the Foundation as of March 31, 2011 and 2010 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

The National Union is a nonprofit corporation established to preserve the civil liberties and defend freedoms guaranteed in the Constitution and Bill of Rights. The Union is an affiliated chapter of the National Union. The National 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 Union receives funds from the National Union representing an allocation of membership contributions made directly to the National Union. The total funds allocated to the Union for members located in Massachusetts were \$470,275 and \$449,742 as of March 31, 2011 and 2010, respectively.

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

	<u>2011</u>	<u>2010</u>
Final shared revenue reconciliation due from the National Union	\$ 74,447	\$27,500
Membership income due from the National Union	31,251	40,487
Other expenses due to the National Union	-	(1,665)
Net amount due from the National Union	<u>\$105,698</u>	<u>\$66,322</u>

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
(Continued)

(4) **RETIREMENT PLAN**

The Union 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 Union based on the number of participating employees. Pension expense was \$25,536 and \$36,104 for the years ended March 31, 2011 and 2010, respectively. This amount 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 Union 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 Union 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 Union's contributions vest after two years of employment. Total contributions to the plan for the years ended March 31, 2011 and 2010, was \$3,751 and \$1,722, respectively, and is included in employee benefits in the accompanying statements of functional expenses.

(5) **DEFERRED RENT**

During fiscal year 2005, the Union entered into a ten-year lease agreement which expires in May, 2015. Under this agreement, the Union received six months of free rent. The Union began paying rent of \$11,745 per month in January, 2006, with increases as defined in the agreement. The Union is responsible for certain operating costs as defined in the agreement.

In accordance with *Accounting for Leases* under U.S. GAAP, the Union records rent expense for this lease on a straight-line basis over the respective term of the lease regardless of actual cash payments. Deferred rent as of March 31, 2011 and 2010 was \$91,214 and \$94,371, respectively. The Union shares the facility with the Foundation and allocates a portion of total rent expense based upon usage. The Union has recognized \$47,534 and \$49,563 of rent expense under this agreement for the years ended March 31, 2011 and 2010, respectively. These amounts are included in occupancy in the accompanying statements of functional expenses. These amounts are net of payments received by the Union, which were reimbursed by the Foundation for the years ended March 31, 2011 and 2010.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011 AND 2010  
(Continued)

(5) **DEFERRED RENT** (Continued)

Future minimum cash payments under the lease agreement are as follows:

<b><u>Fiscal Year</u></b>	<b><u>Amount</u></b>
2012	\$168,493
2013	\$173,355
2014	\$173,355
2015	\$173,355
2016	\$ 43,339

(6) **CONCENTRATION OF CREDIT RISK**

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

(7) **CONTINGENCIES**

The Union, 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 Union 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.