



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

**FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

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

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MARCH 31, 2012 AND 2011**

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*Where Every Client Is A Valued Client*

## 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, 2012 and 2011, 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 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, 2012 and 2011, 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.

*Alexander, Aronson, Finning & Co. P.C.*

Wellesley, Massachusetts  
September 24, 2012

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

**STATEMENTS OF FINANCIAL POSITION**

**MARCH 31, 2012 AND 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 652,641	\$ 426,071
Certificates of deposit	-	167,115
Due from National	207,363	105,698
Due from Foundation	2,484	5,035
Prepaid expenses	-	14,200
	<hr/>	<hr/>
Total current assets	862,488	718,119
<b>LEASEHOLD IMPROVEMENTS, net</b>	<hr/>	<hr/>
	3,642	12,736
	<hr/>	<hr/>
Total assets	<u>\$ 866,130</u>	<u>\$ 730,855</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 129	\$ 716
Accrued expenses	36,341	32,396
Current portion of deferred rent	-	17,744
	<hr/>	<hr/>
Total current liabilities	36,470	50,856
<b>DEFERRED RENT, net of current portion</b>	<hr/>	<hr/>
	5,835	73,470
	<hr/>	<hr/>
Total liabilities	<u>42,305</u>	<u>124,326</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Operating	820,183	593,793
Leasehold improvements	3,642	12,736
	<hr/>	<hr/>
Total unrestricted net assets	<u>823,825</u>	<u>606,529</u>
Total liabilities and net assets	<u>\$ 866,130</u>	<u>\$ 730,855</u>

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

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>SUPPORT AND REVENUE:</b>		
Membership income	\$ 515,153	\$ 470,275
Bequests	108,249	92,898
Contributions	59,967	25,000
Donated legal services	22,395	2,049
Consulting fees	18,000	1,357
Interest	361	1,529
	<hr/>	<hr/>
Total support and revenue	724,125	593,108
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Program services	468,648	502,644
General and administrative	103,351	162,479
	<hr/>	<hr/>
Total operating expenses	571,999	665,123
	<hr/>	<hr/>
Changes in unrestricted net assets from operations	152,126	(72,015)
	<hr/>	<hr/>
<b>OTHER INCOME (EXPENSES):</b>		
Write-off of deferred rent	77,906	-
Loss on disposal of leasehold improvements	(12,736)	-
	<hr/>	<hr/>
Changes in unrestricted net assets	217,296	(72,015)
	<hr/>	<hr/>
<b>NET ASSETS, beginning of year</b>	606,529	678,544
	<hr/>	<hr/>
<b>NET ASSETS, end of year</b>	<u><u>\$ 823,825</u></u>	<u><u>\$ 606,529</u></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, 2012 AND 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in unrestricted net assets	\$ 217,296	\$ (72,015)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by operating activities:		
Depreciation	99	2,884
Write-off of deferred rent	(77,906)	-
Loss on disposal of leasehold improvements	12,736	-
Changes in operating assets and liabilities:		
Accounts receivable	-	570
Due from National	(101,665)	(39,376)
Due from Foundation	2,551	364,678
Prepaid expenses	14,200	(14,200)
Accounts payable	(587)	(13,173)
Accrued expenses	3,945	3,710
Deferred rent	<u>(7,473)</u>	<u>(3,157)</u>
Net cash provided by operating activities	<u>63,196</u>	<u>229,921</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Redemption (reinvestment of interest) of certificates of deposit	167,115	(1,225)
Acquisition of leasehold improvements	<u>(3,741)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>163,374</u>	<u>(1,225)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	226,570	228,696
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>426,071</u>	<u>197,375</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 652,641</u></u>	<u><u>\$ 426,071</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cost basis of disposed leasehold improvements	<u><u>\$ 23,070</u></u>	<u><u>\$ -</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, 2012**

(With Summarized Comparative Totals for the Year Ended March 31, 2011)

	<b>2012</b>				<b>2011</b>	
	<b>PROGRAM SERVICES</b>				<b>GENERAL AND ADMINISTRATIVE</b>	
	<b>LEGISLA-TIVE</b>	<b>EDUCATION</b>	<b>MEMBERSHIP DEVELOPMENT</b>	<b>TOTAL PROGRAM SERVICES</b>	<b>TOTAL</b>	<b>TOTAL</b>
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 145,926	\$ 68,308	\$ 54,042	\$ 268,276	\$ 48,615	\$ 372,890
Employee benefits	35,195	17,268	19,784	72,247	10,507	77,360
Payroll taxes	10,970	5,280	4,098	20,348	3,605	33,277
Total personnel and related expenses	192,091	90,856	77,924	360,871	62,727	483,527
<b>OTHER EXPENSES:</b>						
Occupancy	20,215	8,729	7,208	36,152	4,421	52,912
Technology	7,801	15,796	8,976	32,573	1,590	34,556
Donated legal services	-	-	-	-	22,395	2,049
Postage	272	8,087	4,781	13,140	129	12,777
Accounting	-	-	-	-	8,133	7,676
Printing and publishing	-	7,609	182	7,791	-	5,866
Fees and services	2,830	987	1,499	5,316	947	4,166
Books, subscriptions and dues	4,465	323	16	4,804	64	9,762
Insurance	140	49	46	235	2,137	1,748
Telephone	736	687	191	1,614	169	3,024
Meetings and conferences	27	1,471	18	1,516	6	703
Travel	554	784	58	1,396	17	3,154
Office expenses and supplies	527	499	128	1,154	237	4,689
Miscellaneous	-	-	990	990	25	626
Special events	278	156	100	534	140	4,031
Equipment lease and maintenance	290	163	76	529	115	729
Depreciation	-	-	-	-	99	2,884
Consultants	33	-	-	33	-	30,244
Total other expenses	38,168	45,340	24,269	107,777	40,624	181,596
Total expenses	\$ 230,259	\$ 136,196	\$ 102,193	\$ 468,648	\$ 103,351	\$ 665,123

*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**

	<b>PROGRAM SERVICES</b>				<b>GENERAL AND ADMINIS- TRATIVE</b>	<b>TOTAL</b>
	<b>LEGISLA- TIVE</b>	<b>EDUCATION</b>	<b>MEMBERSHIP DEVELOPMENT</b>	<b>TOTAL PROGRAM SERVICES</b>		
<b>PERSONNEL AND RELATED EXPENSES:</b>						
Salaries	\$ 133,952	\$ 96,444	\$ 48,887	\$ 279,283	\$ 93,607	\$ 372,890
Employee benefits	27,134	18,314	12,755	58,203	19,157	77,360
Payroll taxes	12,353	8,725	4,450	25,528	7,749	33,277
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel and related expenses	173,439	123,483	66,092	363,014	120,513	483,527
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>OTHER EXPENSES:</b>						
Occupancy	20,395	16,064	6,273	42,732	10,180	52,912
Technology	7,466	17,364	7,852	32,682	1,874	34,556
Donated legal services	-	-	-	-	2,049	2,049
Postage	575	6,881	5,272	12,728	49	12,777
Accounting	-	-	-	-	7,676	7,676
Printing and publishing	350	4,579	937	5,866	-	5,866
Fees and services	1,431	990	1,144	3,565	601	4,166
Books, subscriptions and dues	8,818	924	10	9,752	10	9,762
Insurance	191	119	60	370	1,378	1,748
Telephone	302	2,319	99	2,720	304	3,024
Meetings and conferences	325	378	-	703	-	703
Travel	1,269	1,707	-	2,976	178	3,154
Office expenses and supplies	578	3,368	198	4,144	545	4,689
Miscellaneous	200	345	-	545	81	626
Special events	187	2,955	201	3,343	688	4,031
Equipment lease and maintenance	347	168	82	597	132	729
Depreciation	1,407	640	542	2,589	295	2,884
Consultants	457	390	13,471	14,318	15,926	30,244
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other expenses	44,298	59,191	36,141	139,630	41,966	181,596
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 217,737</u>	<u>\$ 182,674</u>	<u>\$ 102,233</u>	<u>\$ 502,644</u>	<u>\$ 162,479</u>	<u>\$ 665,123</u>

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



AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011

(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 that 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 or unconditionally committed 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 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, consulting 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, 2012 AND 2011  
(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 at March 31, 2011, consisted of four certificates of deposit (CDs) with initial maturities of four to eight months maturing 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, 2012 and 2011.

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 term of the lease or five 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 \$22,395 and \$2,049 for the years ended March 31, 2012 and 2011, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011  
(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 Measurements

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 mandate 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, 2012 and 2011, 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 prior three fiscal years remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts.

Subsequent Events

Subsequent events have been evaluated through September 24, 2012, 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>2012</u>	<u>2011</u>
Leasehold improvements	\$3,741	\$23,070
Less - accumulated depreciation	<u>99</u>	<u>10,334</u>
Leasehold improvements, net	<u>\$3,642</u>	<u>\$12,736</u>

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011  
(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 its 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, 2012 and 2011, was \$2,484 and \$5,035, respectively. Total allocated salary, rent and utility expenses for which the Union charged the Foundation was \$273,602 and \$132,447 for the years ended March 31, 2012 and 2011, 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 \$515,153 and \$470,275 for the years ended March 31, 2012 and 2011, 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>2012</u>	<u>2011</u>
Final shared revenue reconciliation due from the National Union	\$168,216	\$ 74,447
Membership income due from the National Union	<u>39,147</u>	<u>31,251</u>
Net amount due from the National Union	<u>\$207,363</u>	<u>\$105,698</u>

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011

(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 \$43,012 and \$25,536 for the years ended March 31, 2012 and 2011, respectively, which 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, 2012 and 2011, the financial statements of the pension plan reflected \$63,912,841 and \$55,223,200 in net assets available for benefits and \$91,701,322 and \$73,193,302 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, 2012 and 2011, were \$4,160 and \$3,751, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

(5) LEASE COMMITMENTS

During fiscal year 2005, the Union entered into a ten-year lease agreement which originally expired in May, 2015. During fiscal year 2012, the Union renegotiated this lease through December, 2021. The Union began paying rent of \$15,127 per month in January, 2012, with increases as defined in the agreement. The Union is responsible for certain operating costs as defined in the agreement. The Union has the option to extend the terms of the lease through December, 2026.

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, 2012 and 2011, was \$5,835 and \$91,214, respectively. As a result of the renegotiated lease, deferred rent expense totaling \$77,906 was written off during fiscal year 2012 and is reflected as write-off of deferred rent expense in the accompanying 2012 statement of activities and changes in net assets. The Union shares the facility with the Foundation and allocates a portion of total rent expense based upon usage. The Union has recognized \$33,608 and \$47,534 of rent expense under this agreement for the years ended March 31, 2012 and 2011, respectively, which 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, 2012 and 2011 (see Note 3).

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2012 AND 2011  
(Continued)

(5) **LEASE COMMITMENTS** (Continued)

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

<b><u>Fiscal Year Ending</u></b>	<b><u>Amount</u></b>
2013	\$ 181,524
2014	\$ 184,765
2015	\$ 194,490
2016	\$ 197,732
2017	\$ 207,456
2018 - 2022	\$1,037,278

(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) **NOTE PAYABLE TO A BANK**

During February, 2012, the Union entered into a \$100,000 line of credit agreement. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's lending rate (3.25% at March 31, 2012), subject to a floor of 4.5%. As of March 31, 2012, there was no outstanding balance under this agreement.

(8) **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.