



**American Civil Liberties Union Foundation of Massachusetts, Inc.
Financial Statements
For the Years Ended
March 31, 2018 and 2017**

American Civil Liberties Union Foundation of Massachusetts, Inc.

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Independent Auditor's Report

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Independent Auditor's Report

To the Board of Directors of
American Civil Liberties Union Foundation of Massachusetts, Inc.
Boston, MA

I have audited the accompanying financial statements of American Civil Liberties Union Foundation of Massachusetts, Inc. (a nonprofit Corporation), which comprise the statement of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation of Massachusetts, Inc. as of March 31, 2018 and 2017 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.

A handwritten signature in cursive script that reads 'Melissa Gilroy'.

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
October 25, 2018

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statements of Financial Position

As of March 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 708,945	\$ 866,371
Investments	5,724,655	4,667,434
Contributions receivable, net	195,288	126,983
Due from Union	-	44,017
Due from ACLU National	247,269	587,328
Pledge receivable, net	-	340,514
Prepaid expenses and other current assets	81,758	70,696
Total current assets	<u>6,957,915</u>	<u>6,703,343</u>
Non-Current Assets		
Security deposits	1,000	1,000
Beneficial interest in trusts	1,080,796	1,056,073
Bill of Rights Trust	1,477,525	1,413,197
Pichey endowment	5,053	-
Property and equipment, net	238,447	146,778
Total non-current assets	<u>2,802,821</u>	<u>2,617,048</u>
Total Assets	<u>\$ 9,760,736</u>	<u>\$ 9,320,391</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 61,793	\$ 52,455
Accrued expenses	276,044	250,851
Deferred revenue	129,410	219,550
Due to ACLU National	35,070	-
Due to Union	81,283	-
Total Liabilities	<u>583,600</u>	<u>522,856</u>
Net Assets		
Without donor restrictions	5,589,403	4,793,936
With donor restrictions	3,587,733	4,003,599
Total net assets	<u>9,177,136</u>	<u>8,797,535</u>
Total Liabilities and Net Assets	<u>\$ 9,760,736</u>	<u>\$ 9,320,391</u>

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statement of Activities and Changes in Net Assets

For the years ended March 31, 2018 and March 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Without Donor Restrictions	With Donor Restrictions	2017
Operating						
Revenue and Support						
Contributions	\$ 2,418,844	5,000	2,423,844	\$ 3,266,912	45,150	3,312,062
Special events	935,751	-	935,751	443,233	-	443,233
Grants	36,000	40,000	76,000	40,000	60,000	100,000
Interest and dividends	117,195	42,263	159,458	118,365	-	118,365
Bequests	6,136	200,000	206,136	421,180	775,000	1,196,180
Legal awards	480,085	-	480,085	40,077	-	40,077
Donated services	104,350	-	104,350	110,822	-	110,822
Other income	25,027	-	25,027	34,439	-	34,439
Net assets released from restriction	749,969	(749,969)	-	852,996	(852,996)	-
Total revenue and support	<u>4,873,357</u>	<u>(462,706)</u>	<u>4,410,651</u>	<u>5,328,024</u>	<u>27,154</u>	<u>5,355,178</u>
Expenses						
Program services	3,180,223	-	3,180,223	2,675,175	-	2,675,175
Management, general and administrative	536,397	-	536,397	430,421	-	430,421
Fundraising	990,606	-	990,606	729,352	-	729,352
Total expenses	<u>4,707,226</u>	<u>-</u>	<u>4,707,226</u>	<u>3,834,948</u>	<u>-</u>	<u>3,834,948</u>
Changes in net assets from operations	166,131	(462,706)	(296,575)	1,493,076	27,154	1,520,230
Non-operating						
Net unrealized gains / (losses)	595,669	22,117	617,786	489,803	-	489,803
Net realized gains / (losses)	(5,833)	-	(5,833)	(1,991)	-	(1,991)
Change in value of beneficial interest in trust	39,500	24,723	64,223	-	50,239	50,239
Total	<u>629,336</u>	<u>46,840</u>	<u>676,176</u>	<u>487,812</u>	<u>50,239</u>	<u>538,051</u>
Changes in Net Assets	795,467	(415,866)	379,601	1,980,888	77,393	2,058,281
Net Assets at Beginning of Year	<u>4,793,936</u>	<u>4,003,599</u>	<u>8,797,535</u>	<u>2,813,048</u>	<u>3,926,206</u>	<u>6,739,254</u>
Net Assets at End of Year	<u>\$ 5,589,403</u>	<u>3,587,733</u>	<u>9,177,136</u>	<u>\$ 4,793,936</u>	<u>4,003,599</u>	<u>8,797,535</u>

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statement of Functional Expenses For the year ended March 31, 2018

	Program		Support		2018 Total
	Program	Management and General	Fundraising		
Salaries	\$ 1,584,545	304,699	416,806	\$	2,306,050
Employee benefits	524,629	72,562	158,963		756,154
Payroll taxes	115,273	22,155	29,903		167,331
Subtotal	2,224,447	399,416	605,672		3,229,535
Occupancy	299,985	43,037	54,618		397,640
Professional fees	283,687	66,753	40,862		391,302
Event expense	36,687	1,953	199,981		238,621
Printing and publishing	24,502	432	14,713		39,647
Technology	65,112	7,221	18,874		91,207
Dues and fees	23,429	2,298	16,958		42,685
Travel	46,822	2,786	11,461		61,069
Books, subscriptions	34,100	1,178	3,912		39,190
Postage	10,662	929	5,913		17,504
Depreciation	38,331	2,299	4,048		44,678
Insurance	21,232	1,278	2,084		24,594
Telephone	23,588	2,615	2,596		28,799
Office expenses and supplies	20,811	3,287	3,732		27,830
Equipment lease and maintenance	6,204	666	991		7,861
Miscellaneous	20,624	249	4,191		25,064
Total Functional Expenses	\$ 3,180,223	536,397	990,606	\$	4,707,226

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statement of Functional Expenses For the year ended March 31, 2017

	Program		Support		2017 Total
	Program	Management and General	Fundraising		
Salaries	\$ 1,609,143	274,640	306,179	\$	2,189,962
Employee benefits	369,105	66,729	133,589		569,423
Payroll taxes	108,723	18,546	20,952		148,221
Subtotal	2,086,971	359,915	460,720		2,907,606
Occupancy	167,396	24,615	30,034		222,045
Professional fees	167,441	27,264	16,004		210,709
Event expense	15,304	1,043	136,037		152,384
Printing and publishing	33,069	184	25,996		59,249
Technology	60,313	5,498	19,789		85,600
Dues and fees	9,306	2,217	19,141		30,664
Travel	12,624	1,243	5,123		18,990
Books, subscriptions	30,702	1,653	2,189		34,544
Postage	10,794	309	3,618		14,721
Depreciation	32,812	2,041	2,542		37,395
Insurance	20,577	1,390	1,836		23,803
Telephone	8,999	1,740	931		11,670
Office expenses and supplies	11,470	726	2,226		14,422
Equipment lease and maintenance	4,505	583	729		5,817
Miscellaneous	2,892	-	2,437		5,329
Total Functional Expenses	\$ 2,675,175	430,421	729,352	\$	3,834,948

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statements of Cash Flows

For the years ended March 31, 2018 and 2017

Cash Flows from Operating Activities	2018	2017
Changes in Net Assets	\$ 379,601	\$ 2,058,281
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	44,678	37,395
Donated securities	(56,941)	-
Net unrealized (gains) / losses on investments	(617,786)	(489,803)
Net realized (gains) / losses on investments	5,833	1,991
Change in value of beneficial interest in trust	(64,223)	(50,239)
Interest and dividends reinvested	(159,392)	(118,365)
Increase (decrease) in cash resulting from a change in:		
Contribution receivable	(68,305)	(120,328)
Pledge receivable	340,514	321,245
Due from Union	44,017	119,658
Due from National	340,059	(587,328)
Prepaid expenses and other current assets	(11,062)	(45,354)
Security deposits	-	11,745
Accounts payable	9,338	47,511
Accrued expenses	25,193	17,720
Due to ACLU National	35,070	(917,303)
Due to ACLU Union	81,283	-
Deferred revenue	(90,140)	170,450
Net Cash Provided by / (Used in) Operating Activities	237,737	457,276
Cash Flows from Investing Activities		
Purchase of investments	(4,299,714)	(4,801,680)
Proceeds from the sale of investments	3,944,893	4,498,703
Purchases of property and equipment	(136,347)	(68,134)
Net Cash Provided by / (Used in) Investing Activities	(491,168)	(371,111)
Cash Flows from Financing Activities		
Distributions from endowments	96,005	-
Net Cash Provided by (Used in) Financing Activities	96,005	-
Net (Decrease) Increase in Cash and Cash Equivalents	(157,426)	86,165
Cash and Cash Equivalents - Beginning	866,371	780,206
Cash and Cash Equivalents - Ending	\$ 708,945	\$ 866,371

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to Financial Statements

1. Nature of the Business

American Civil Liberties Union Foundation of Massachusetts, Inc. (the “Foundation”) is a non-profit corporation whose mission is to defend freedoms guaranteed in the United States Constitution and Bill of Rights. The Foundation is affiliated with the American Civil Liberties Union Foundation, Inc. (the “National Foundation”), the American Civil Liberties Union, Inc. (the “National Union”) and the American Civil Liberties Union of Massachusetts, Inc. (the “Union”).

The Foundation was incorporated on March 19, 2015. On April 1, 2017 the Foundation entered into a General Bill of Sale and Assignment and Assumption Agreement pursuant to which it acquired all of the assets and succeeded to all of the liabilities of the American Civil Liberties Foundation of Massachusetts, a Massachusetts charitable trust organized under a Declaration of Trust dated December 29, 1969, as amended (the “Trust”). As a result of this transaction, the Foundation is the legal successor to the Trust.

The Foundation is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes under the general laws of Massachusetts.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in three categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Foundation’s ongoing efforts. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. The net assets of the Foundation are classified and defined as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”) which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure 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

The Foundation considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Foundation's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

Property and Equipment

Property and equipment are stated at cost at the time of acquisition or fair market value at the time of donation. Donated assets are considered unrestricted support unless the donor has restricted the donated asset for a specific purpose. Expenditures for maintenance and repairs are charged to expenses as incurred; major renewals, additions and betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to operations. Depreciation is recorded on a straight-line basis over the respective asset's estimated useful lives.

Beneficial Interests

The Foundation is at times named a beneficiary under the terms of various wills and trusts agreements, the total realizable amounts of which may not be determinable. The Foundation's share of such interests is recorded when the proceeds are measurable.

The Foundation was named beneficiary of a perpetual trust (“the trust”) held by third-party trustees with a determinable value. Accordingly, the Foundation has recorded the fair value of the trust in the accompanying financial statements. Due to the inactive market and unobservable inputs related to the trust, it is considered to be Level 3 in the fair value measurement hierarchy.

As stipulated by the donor, the principal balance of the trust plus any gains and losses is restricted in perpetuity. As such, the balance of the trust as of March 31, 2018 and 2017 has been classified as net assets with donor restrictions in the accompanying financial statement. The Foundation receives quarterly distributions of interest and dividends which are considered net assets without donor restrictions according to the donor's stipulations which have been recorded in the accompanying financial statements.

2. Summary of Significant Accounting Policies (continued)

Bill of Rights Trust

The Bill of Rights Trust represents the Foundation's unit holdings in the National Endowment held by the National Foundation. The National Endowment's underlying investments are comprised of cash and cash equivalents and publicly traded securities. Due to the inactive market and unobservable inputs available, the Foundation's shares in the Bill of Rights Trust is considered a Level 3 input on the fair value measurement hierarchy.

Pichey Endowment

The Pichey endowment represents the Foundation's holdings in an endowment held by the National Foundation. The endowment's underlying investments are comprised of cash and cash equivalents and publicly traded securities. Due to the inactive market and unobservable inputs available, the Foundation's shares in the Pichey endowment is considered a Level 3 input on the fair value measurement hierarchy.

Investments

The Foundation values its investments at fair value in the statement of financial position. The statement of activities includes net investment income including, unrealized gains or losses, interest and dividend income. Realized gains and losses are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly, including inputs in markets that are considered active.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

Deferred Revenue

Deferred revenue represents event income received prior to the occurrence of such events.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are recorded at the estimated fair value of the services provided to the Foundation. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. Donated services consisting of primarily donated legal services amounted to \$104,350 and \$110,822 for the years ended March 31, 2018 and 2017, respectively.

A number of unpaid volunteers have made significant contributions of their time to the Foundation. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were not material and are included with printing and publishing expense in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various program and support services of the Foundation have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated between program and supporting services on a reasonable basis by management.

Revenue Recognition and Receivables

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of March 31, 2018, contribution receivables consist of amounts donated prior to year-end not deposited until subsequent to year-end. As such, there is no allowance for doubtful accounts required.

Pledge receivables are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. The discount on these amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received, approximately 1% as of fiscal year end March 31, 2017. Amortization of the discount is included in contribution revenue. As of March 31, 2017, pledge receivables due from two donors represented 94% of the total pledge receivable outstanding.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value upon the date of receipt.

Bequests are recorded when received. During fiscal 2018 and 2017, a bequest from one donor represented 97% and 54%, respectively, of total bequest revenue recorded.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Receivables - continued

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

The Foundation may receive attorney's fees awarded by the court as a result of the settlement of certain types of litigation. Because the awards are not determinable until the resolution of the litigation, such amounts are not recorded until received. This may be several years after the litigation commences.

Income Taxes

The Foundation is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and State income taxes except for income earned on unrelated business income. The Foundation has determined that it has not earned any unrelated business income as of March 31, 2018 and 2017 and therefore has not recorded a provision for tax expense.

The Foundation accounts for the effects for any uncertain tax positions based on a "more likely than not" threshold for recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Foundation has determined that there are no material unrecognized tax effects as of March 31, 2018 and 2017.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

3. Related Party Transactions

The Union

The Foundation is affiliated with the Union through shared management, administrative costs and rental space. The Foundation charged the Union \$355,364 and \$244,494 respectively, for the shared costs that include salaries, benefits and related payroll taxes for the years ended March 31, 2018 and 2017. Additionally, the Union charged the Foundation for its pro rata share of the rent for shared facility costs amounting to \$297,911 and \$198,401 which is included in occupancy expenses in these financial statements for the years ended March 31, 2018 and 2017, respectively. Related to the transactions described above, as of March 31, 2018, the Foundation had a liability due to the Union of \$81,283. In the prior year ended March 31, 2017, the Foundation had a receivable due from the Union of \$44,017 for the above referenced transactions.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

3. Related Party Transactions - continued

The National Foundation

The Foundation is an affiliated chapter of the National Foundation. In accordance with the affiliation agreement, the Foundation receives its share of certain contributions and bequests as defined in that agreement. As of March 31, 2018 and 2017, amounts due from Foundation to the National Foundation for shared revenue in accordance with the Affiliate agreement were \$35,070 and zero, respectively. As of March 31, 2018 and 2017, amounts due to the Foundation from the National Foundation for shared revenue in accordance with the Affiliate agreement were \$247,269 and \$587,328, respectively.

Donations

During the fiscal years ended 2018 and 2017, related parties of the Foundation donated approximately \$148,800 and \$446,000, respectively.

4. Fair Value Measurements

The Foundation's various investments are valued as follows:

Common stocks – Valued at the closing price reported as of March 31, 2018 and 2017 on the active market on which the individual securities are traded.

Mutual funds and money market accounts – Valued at the net asset value (NAV) of shares held as of March 31, 2018 and 2017.

Beneficial interest in perpetual trust - Valued at closing valuation price reported by the Trustee at March 31, 2018 and 2017. The fair value of these assets is based on the underlying investments held by the trust which consists of publicly traded money market funds, fixed income mutual funds, and various common stock securities.

Bill of Rights Trust and Pichey Endowment –Valued at the Foundation's unit share of the closing valuation price reported by the National ACLU at March 31, 2018 and 2017.

American Civil Liberties Union Foundation of Massachusetts, Inc.
Notes to the Financial Statements

4. Fair Value Measurements (continued)

Fair Value Measurements as of March 31, 2018:

Type	As of March 31, 2018			
	Level I	Level II	Level III	Total
Money market funds	\$ 714,997	\$ -	\$ -	\$ 714,997
Mutual funds:				
Real estate fund	293,481			293,481
International fund	1,248,407			1,248,407
Emerging market fund	318,454			318,454
Extended market fund	316,148			316,148
Growth fund	1,272,453			1,272,453
Pacific fund	632,576			632,576
Value index fund	928,139			928,139
Total mutual funds	5,009,658	-	-	5,009,658
Total Investments	5,724,655	-	-	5,724,655
Bill of Rights Trust	-	-	1,477,525	1,477,525
Investment in Pichey endowment	-	-	5,053	5,053
Beneficial interest in perpetual trust	-	-	1,080,796	1,080,796
Total Fair Value Measurements	\$ 5,724,655	\$ -	\$ 2,563,374	\$ 8,288,029

The following table presents information about the Foundation's fair value measurements using Level 3 inputs, and changes therein, for the years ended March 31, 2018 and 2017:

	Bill of Rights Trust	Beneficial Interest in Trust	Investment in Pichey endowment	Total
Balance as of March 31, 2016	\$ 1,314,859	\$ 1,005,834	\$ -	\$ 2,320,693
Net investment gains (losses)	124,409	50,239	-	174,648
Distributions	(59,922)	-	-	(59,922)
Interest and dividends	33,851	-	-	33,851
Balance as of March 31, 2017	\$ 1,413,197	\$ 1,056,073	\$ -	\$ 2,469,270
Net investment gains (losses)	78,539	64,223	84	142,846
Distributions	(56,408)	(39,500)	(97)	(96,005)
Additions	-	-	5,000	5,000
Interest and dividends	42,197	-	66	42,263
Balance as of March 31, 2018	\$ 1,477,525	\$ 1,080,796	\$ 5,053	\$ 2,563,374

American Civil Liberties Union Foundation of Massachusetts, Inc.
Notes to the Financial Statements

4. Fair Value Measurements (continued)

Fair Value Measurements as of March 31, 2017:

Type	As of March 31, 2017			
	Level I	Level II	Level III	Total
Money market funds	\$ 1,203,109	\$ -	\$ -	\$ 1,203,109
Mutual funds:				
Real estate fund	204,128			204,128
International fund	873,181			873,181
Emerging market fund	223,868			223,868
Extended market fund	211,427			211,427
Growth fund	885,865			885,865
Pacific fund	439,585			439,585
Value index fund	626,271			626,271
Total mutual funds	3,464,325	-	-	3,464,325
Total Investments	4,667,434	-	-	4,667,434
Bill of Rights Trust	-	-	1,413,197	1,413,197
Beneficial interest in perpetual trust	-	-	1,056,073	1,056,073
Total Fair Value Measurements	\$ 4,667,434	\$ -	\$ 2,469,270	\$ 7,136,704

5. Availability and Liquidity

The following represents the Foundation's financial assets at March 31, 2018 and 2017:

Financial assets at year end:	2018	2017
Cash and cash equivalents	\$ 708,945	\$ 866,371
Investments	5,724,655	4,667,434
Contributions receivable, net	195,288	126,983
Due from Union	-	44,017
Due from ACLU National	247,269	587,328
Pledge receivable, net	-	340,514
Beneficial interest in trusts	1,080,796	1,056,073
Bill of Rights Trust	1,477,525	1,413,197
Pichey endowment	5,053	-
Total financial assets	9,439,531	9,101,917
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,587,733	4,003,599
Financial assets available to meet general expenditures over the next twelve months:	\$ 5,851,798	\$ 5,098,318

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

5. Availability and Liquidity – (continued)

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments. Additionally, the Foundation has a \$500,000 line of credit available to meet cash flow needs.

6. Retirement Plans

Pension Plan

The Foundation participates in a non-contributory defined benefit plan, the "American Civil Liberties Union Retirement Plan", through the National Union's multiemployer plan. The plan covers all employees hired before April 1, 2009 who satisfied minimum age and service requirements. Benefits are paid to eligible employees at retirement based on years of service and average career compensation.

The total pension expense is allocated to the Foundation based on the number of participating employees. Pension expense amounted to \$157,051 and \$128,085 for the years ended March 31, 2018 and 2017, respectively and is included with employee benefits on the accompanying statement of functional expenses.

As of April 1, 2009, the National Union instituted a "soft freeze" on the plan. Employees hired on or after April 1, 2009 are enrolled in the National Union's 401k plan.

The National Union's defined benefit plan is currently underfunded according to actuarial projections. A portion of the National Union's unfunded liability is for the employees of the Foundation. Accumulated plan benefits information as provided by consulting actuaries, has not been distinguished from the benefits of this affiliated organization that is participating in the pension plan and accordingly, such information is not presented herein. As of March 31, 2018 and 2017, the financial statements of the pension plan reflected the fair value of plan assets of \$113,410,415 and \$98,668,960 available for benefit obligations of \$153,503,433 and \$135,453,128 in accumulated plan benefits, respectively. As the amount of liabilities directly related to the Foundation is unknown, no amount has been recorded.

401k Plan

The Foundation participates in the National Union's 401k plan which covers substantially all of its employees who meet certain eligibility requirements. Under the plan employees may voluntarily contribute pre-tax compensation subject to IRS regulations related to dollar limits. The Foundation will match 100% of the first 1% of employee contributions plus 50% of the next 5% of employee contributions. Additionally, the Foundation contributes 2% of employee wages for the benefit of each employee each pay period. The Foundation's employer contributions vest after two years of employment. Total contributions for the years ended March 31, 2018 and 2017 were \$70,508 and \$52,714, respectively, and are included with employee benefits on the accompanying statement of functional expenses.

American Civil Liberties Union Foundation of Massachusetts, Inc.
Notes to the Financial Statements

7. Property and Equipment

Property and equipment as of March 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>Useful lives</u>
Computer equipment	\$269,940	\$ 235,812	5 years
Leasehold improvements	63,463	14,963	Term of lease
Office equipment	68,973	45,045	5 - 7 years
Furniture and fixtures	64,711	34,920	7 years
Less - accumulated depreciation	<u>(228,640)</u>	<u>(183,962)</u>	
	<u>\$238,447</u>	<u>\$ 146,778</u>	

8. Donor Restricted Net Assets

The Foundation's donor restricted net assets consist of the following as of March 31, 2018 and 2017:

	<u>As of</u> <u>03/31/2018</u>	<u>As of</u> <u>03/31/2017</u>
Specific Purpose:		
Technology of liberty and justice for all	\$ 699,359	\$ 1,073,843
Separation of church and state	325,000	125,000
Immigration	-	11,226
Pichey endowment - activism initiatives	5,053	-
Bill of rights endowment	1,477,525	1,413,197
Beneficial interest in trust	1,080,796	1,056,073
Passage of Time:		
Pledge receivables	-	324,260
	<u>\$ 3,587,733</u>	<u>\$ 4,003,599</u>

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

9. **Bill of Rights Trust Endowment**

In 1997, the National Foundation established the Bill of Rights Trust Endowment (the "BOR endowment"). The purpose of the BOR endowment, a portion of which is an endowment fund of the Foundation, is to build an enduring endowment to carry out the work of the National Foundation and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States of America. The Endowment has 100,000,000 authorized units, which are issued to or among the Foundation and Affiliate Foundations based upon their respective interests in the BOR endowment. Unit shares held by the affiliates have a unit value based upon the fair value of the net assets of the BOR endowment divided by the total number of unit shares outstanding. The BOR endowment provides for annual distributions to the Foundation and Affiliate Foundations in accordance with the Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share. The Foundation owns 101,298 unit shares in the BOR endowment with a cost basis of \$326,946 and \$383,354 as of March 31, 2018 and 2017, respectively. The investment goals of the BOR endowment is to invest assets in a prudent manner that will produce a reasonable distribution to the National Foundation and affiliated foundations and provide long-term growth in value of these assets.

The Foundation's share of this endowment is subject to certain withdrawal limitations as disclosed in the BOR endowment agreement. Under the National spending policy, the Foundation receives a distribution equal to 4% of the three-year average unit value of the fair value of investments at the beginning of each of the preceding fiscal years. Distributions are typically in the form of cash or additional unit shares of the fund. As of March 31, 2018 and 2017, distributions to the Foundation from the National Foundation amounted to \$56,408 and \$56,332, respectively. Distributions from the BOR endowment are considered without donor restrictions.

10. **Pichey Endowment**

During 2018, the Foundation received funds to establish the Pichey endowment. The endowment's purpose is to support activism initiatives. The endowment provides for distributions to the Foundation and are available to be spent on operating activities. As such, the distributions are considered to be without donor restrictions.

11. **Line of Credit**

The Foundation has a \$500,000 line of credit that bears interest at the bank's lending rate with a minimum rate of 5%. The line is secured by certain assets of the Foundation. The Foundation is subject to certain covenants and was in compliance with those covenants as of March 31, 2018 and 2017. As of March 31, 2018 and 2017, there were no outstanding amounts due on the line.

American Civil Liberties Union Foundation of Massachusetts, Inc.
Notes to the Financial Statements

12. Contingencies

The Foundation is involved in legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Foundation or the results of its activities.

13. Subsequent Events

Subsequent to year-end, the Foundation entered negotiations with certain employees of the Foundation with respect to a collective bargaining agreement. As of the date of this report, no agreement has been reached between these parties.

The Foundation has evaluated subsequent events through October 25, 2018, which is the date financial statements were available to be issued and determined that no events met the criteria for recognition or disclosure in the financial statements.