



**American Civil Liberties Union Foundation of Massachusetts, Inc.
Financial Statements
For the Years Ended
March 31, 2020 and 2019**



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, 2020 and 2019, 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, 2020 and 2019 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 black ink that reads 'Melissa Gilroy' in a cursive script.

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
October 5, 2020

American Civil Liberties Union Foundation of Massachusetts, Inc.

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American Civil Liberties Union Foundation of Massachusetts, Inc.

Statements of Financial Position

As of March 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 1,469,648	\$ 697,174
Investments	13,683,830	15,565,989
Contributions receivable	112,500	89,078
Other receivable	866	-
Due from ACLU Union of MA	688,648	-
Due from ACLU National	357,672	44,011
Interest income receivable	-	57,611
Prepaid expenses and other current assets	48,892	65,430
Total current assets	<u>16,362,056</u>	<u>16,519,293</u>
Non-Current Assets		
Contributions receivable	116,754	-
Beneficial interest in trusts	960,033	1,098,562
Bill of Rights Trust	1,272,044	1,453,659
Pichey endowment	17,558	15,121
Property and equipment, net	225,106	204,374
Total non-current assets	<u>2,591,495</u>	<u>2,771,716</u>
Total Assets	<u>\$ 18,953,551</u>	<u>\$ 19,291,009</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 424,752	\$ 333,473
Deferred revenue	186,250	152,415
Due to ACLU Union of MA	-	189,527
Total Liabilities	<u>611,002</u>	<u>675,415</u>
Net Assets		
Without donor restrictions	6,649,859	6,066,597
With donor restrictions	11,692,690	12,548,997
Total net assets	<u>18,342,549</u>	<u>18,615,594</u>
Total Liabilities and Net Assets	<u>\$ 18,953,551</u>	<u>\$ 19,291,009</u>

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statement of Activities and Changes in Net Assets

For the years ended March 31, 2020 and March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	2019
Operating						
Revenue and Support						
Contributions	\$ 3,536,312	932,500	4,468,812	\$ 2,901,167	10,000,000	12,901,167
Special events	688,112	-	688,112	570,955	-	570,955
Bequests	256,466	175,000	431,466	203,993	200,000	403,993
Grants	36,000	270,000	306,000	91,500	500,000	591,500
Interest and dividends	382,188	16,320	398,508	209,438	54,134	263,572
Legal awards	83,654	-	83,654	40,000	-	40,000
Donated services	34,451	-	34,451	113,384	-	113,384
Other income	16,382	-	16,382	10,817	-	10,817
Net assets released from restriction	1,916,099	(1,916,099)	-	1,738,795	(1,738,795)	-
Total revenue and support	<u>6,949,664</u>	<u>(522,279)</u>	<u>6,427,385</u>	<u>5,880,049</u>	<u>9,015,339</u>	<u>14,895,388</u>
Expenses						
Program services	3,861,097	-	3,861,097	3,846,862	-	3,846,862
Management, general and administrative	626,539	-	626,539	713,007	-	713,007
Fundraising	837,178	-	837,178	916,992	-	916,992
Total expenses	<u>5,324,814</u>	<u>-</u>	<u>5,324,814</u>	<u>5,476,861</u>	<u>-</u>	<u>5,476,861</u>
Changes in net assets from operations	1,624,850	(522,279)	1,102,571	403,188	9,015,339	9,418,527
Non-operating						
Net unrealized gains / (losses)	(1,595,887)	(195,499)	(1,791,386)	(202,105)	(71,841)	(273,946)
Net realized gains / (losses)	514,799	-	514,799	237,111	-	237,111
Change in value of beneficial interest in tru	39,500	(138,529)	(99,029)	39,000	17,766	56,766
Total	<u>(1,041,588)</u>	<u>(334,028)</u>	<u>(1,375,616)</u>	<u>74,006</u>	<u>(54,075)</u>	<u>19,931</u>
Changes in Net Assets	583,262	(856,307)	(273,045)	477,194	8,961,264	9,438,458
Net Assets at Beginning of Year	<u>6,066,597</u>	<u>12,548,997</u>	<u>18,615,594</u>	<u>5,589,403</u>	<u>3,587,733</u>	<u>9,177,136</u>
Net Assets at End of Year	<u>\$ 6,649,859</u>	<u>11,692,690</u>	<u>18,342,549</u>	<u>\$ 6,066,597</u>	<u>12,548,997</u>	<u>18,615,594</u>

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statement of Functional Expenses

For the years ended March 31, 2020 and 2019

	Program			Support			2020 Total	Program			Support			2019 Total
	Program	Management and General	Fundraising	Program	Management and General	Fundraising		Program	Management and General	Fundraising				
Salaries	\$ 2,112,227	315,481	404,532	\$ 2,832,240	\$ 1,980,361	348,518	425,256	\$ 2,754,135						
Employee benefits	467,434	100,869	89,398	657,701	439,366	123,300	107,598	670,264						
Payroll taxes	159,627	23,455	29,801	212,883	145,351	26,148	32,283	203,782						
Subtotal	2,739,288	439,805	523,731	3,702,824	2,565,078	497,966	565,137	3,628,181						
Occupancy	272,144	40,553	42,903	355,600	275,638	49,872	52,788	378,298						
Professional fees	302,991	103,967	51,559	458,517	393,546	122,845	66,562	582,953						
Event expense	113,665	8,910	104,231	226,806	126,654	6,030	98,308	230,992						
Printing and publishing	57,021	829	29,735	87,585	108,009	1,198	24,815	134,022						
Technology	60,038	9,027	19,328	88,393	93,113	11,288	25,845	130,246						
Dues and fees	16,111	3,287	6,922	26,320	34,418	3,652	27,580	65,650						
Travel	54,574	4,175	16,457	75,206	66,973	5,800	19,313	92,086						
Books, subscriptions	37,674	1,660	5,071	44,405	34,083	831	2,655	37,569						
Postage	20,141	716	9,351	30,208	4,171	637	3,472	8,280						
Depreciation	68,758	6,403	9,755	84,916	54,981	4,861	8,607	68,449						
Insurance	20,775	1,369	1,430	23,574	20,898	1,575	1,812	24,285						
Telephone	14,791	1,399	2,397	18,587	24,373	2,455	3,313	30,141						
Office expenses and supplies	13,016	2,501	2,110	17,627	12,737	2,675	2,494	17,906						
Equipment lease and maintenance	6,803	1,426	989	9,218	-	-	-	-						
Focus groups	53,235	-	-	53,235	5,768	989	916	7,673						
Miscellaneous	10,072	512	11,209	21,793	26,422	333	13,375	40,130						
Total Functional Expenses	\$ 3,861,097	626,539	837,178	\$ 5,324,814	\$ 3,846,862	713,007	916,992	\$ 5,476,861						

American Civil Liberties Union Foundation of Massachusetts, Inc.

Statements of Cash Flows

For the years ended March 31, 2020 and 2019

Cash Flows from Operating Activities	2020	2019
Changes in Net Assets	\$ (273,045)	\$ 9,438,458
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	84,916	68,449
Donated securities	(371,797)	(113,434)
Net unrealized (gains) / losses on investments	1,791,752	(212,986)
Net realized (gains) / losses on investments	(507,202)	250,617
Change in value of beneficial interest in trust	99,029	(56,913)
Interest and dividends reinvested	(398,509)	(203,390)
Increase (decrease) in cash resulting from a change in:		
Contribution receivable	(140,176)	106,210
Other receivable	(866)	-
Interest income receivable	57,611	(57,611)
Due from ACLU Union of MA	(688,648)	-
Due from National	(313,661)	203,258
Prepaid expenses and other current assets	16,538	16,328
Security deposits	-	1,000
Accounts payable and accrued expenses	91,279	(4,364)
Due to ACLU National	-	(35,070)
Due to ACLU Union of MA	(189,527)	108,244
Deferred revenue	33,835	23,005
Net Cash Provided by / (Used in) Operating Activities	(708,471)	9,531,801
Cash Flows from Investing Activities		
Purchase of investments	(25,364,229)	(17,524,532)
Proceeds from the sale of investments	26,851,758	7,918,725
Purchases of property and equipment	(105,648)	(34,376)
Net Cash Provided by / (Used in) Investing Activities	1,381,881	(9,640,183)
Cash Flows from Financing Activities		
Distributions from endowments	99,064	96,611
Net Cash Provided by (Used in) Financing Activities	99,064	96,611
Net (Decrease) Increase in Cash and Cash Equivalents	772,474	(11,771)
Cash and Cash Equivalents - Beginning	697,174	708,945
Cash and Cash Equivalents - Ending	\$ 1,469,648	\$ 697,174

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” or the “Organization”) 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 two 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. The Board has designated approximately \$1,173,280 and \$652,000 to be held to support the longevity of the Foundation for the years ended March 31, 2020 and 2019, respectively.

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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

Contribution Receivables

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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 known and measurable.

The Foundation was named beneficiary of a perpetual trust ("the trust") held and administered by third-party trustees with a readily determinable fair value. Perpetual trusts provide for the distribution of the net income of the trusts to us; however, we will never receive the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. 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, 2020 and 2019 has been classified as net assets with donor restrictions in the accompanying financial statements. 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 records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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. 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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Receivables

We recognize contributions when cash, securities or other assets, an unconditional promise to give, bequest, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. 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.

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

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.

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 \$34,451 and \$113,384 for the years ended March 31, 2020 and 2019, 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.

Deferred Revenue

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

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.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation was organized as a Massachusetts nonprofit corporation and is recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) and qualifies for the charitable contribution deduction under IRC regulations. The Foundation has been determined to not be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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, 2020 and 2019. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

3. Contribution Receivable

As of March 31, 2020 and 2019 consisted of the following:

	2020	2019
Due within one year	\$ 112,500	\$ 89,078
Due two to five years	125,000	-
Discount at 5%	(8,246)	-
Contribution receivable	<u>\$ 229,254</u>	<u>\$ 89,078</u>

4. 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 \$1,155,294 and \$439,753 respectively, for the shared costs that include salaries, benefits and related payroll taxes for the years ended March 31, 2020 and 2019. Additionally, the Union charged the Foundation for its pro rata share of the rent for shared facility costs amounting to \$423,060 and \$327,116 which is included in occupancy expenses in these financial statements for the years ended March 31, 2020 and 2019, respectively. Related to the transactions described above, as of March 31, 2020 and 2019, the Foundation recorded the following a receivable from the Union of \$688,648 and a payable due to the Union of \$189,527, respectively.

The National Foundation

The Foundation is an affiliate 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, 2020 and 2019, the Foundation did not incur a payable to the National Foundation for shared revenue. As of March 31, 2020 and 2019, amounts due to the Foundation from the National Foundation for shared revenue in accordance with the Affiliate agreement were \$357,672 and \$44,011, respectively. Additionally, during 2020, the National ACLU granted the Foundation \$150,000 which is included in grant income in the accompanying financial statements.

Donations

During the fiscal years ended 2020 and 2019, related parties of the Foundation donated approximately \$359,000 and \$303,500, respectively. Union board members donated approximately \$98,500 and \$156,000 to the Foundation during fiscal 2020 and 2019, respectively.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

4. Fair Value Measurements

The Foundation's various investments include the following:

Common stocks, mutual funds, and money market funds– Valued at the closing price reported as of March 31, 2020 and 2019 on the active market on which the individual securities are traded.

Beneficial interest in perpetual trust - Valued at closing valuation price reported by the Trustee at March 31, 2020 and 2019. 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, 2020 and 2019.

Fair Value Measurements as of March 31, 2020 and 2019 were as follows:

Type	As of March 31, 2020			
	Level 1	Level II	Level III	Total
Money market funds	\$ 969,120	\$ -	\$ -	\$ 969,120
Mutual funds:				
Bond index fund	4,566,491	-	-	4,566,491
Stock index fund	3,665,646	-	-	3,665,646
International fund	3,496,708	-	-	3,496,708
Government index fund	985,865	-	-	985,865
Total mutual funds	12,714,710	-	-	12,714,710
Total Investments	13,683,830	-	-	13,683,830
Bill of Rights Trust	-	-	1,272,044	1,272,044
Beneficial interest in perpetual trust	-	-	960,033	960,033
Investment in Pichey endowment	-	-	17,558	17,558
Total Fair Value Measurements	\$ 13,683,830	\$ -	\$ 2,249,635	\$ 15,933,465

Type	As of March 31, 2019			
	Level 1	Level II	Level III	Total
Money market funds	\$ 12,214,236	\$ -	\$ -	\$ 12,214,236
Mutual funds:				
Growth fund	867,369	-	-	867,369
International fund	825,860	-	-	825,860
Value index fund	616,115	-	-	616,115
Pacific fund	407,846	-	-	407,846
Real estate fund	216,044	-	-	216,044
Extended market fund	210,756	-	-	210,756
Emerging market fund	207,763	-	-	207,763
Total mutual funds	3,351,753	-	-	3,351,753
Total Investments	15,565,989	-	-	15,565,989
Bill of Rights Trust	-	-	1,453,659	1,453,659
Beneficial interest in perpetual trust	-	-	1,098,562	1,098,562
Investment in Pichey endowment	-	-	15,121	15,121
Total Fair Value Measurements	\$ 15,565,989	\$ -	\$ 2,567,342	\$ 18,133,331

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

4. Fair Value Measurements (continued)

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, 2020 and 2019:

	Bill of Rights Trust	Beneficial Interest in Trust	Investment in Pichey endowment	Total
Balance as of March 31, 2018	\$ 1,477,525	\$ 1,080,796	\$ 5,053	\$ 2,563,374
Net investment gains (losses)	(20,437)	56,766	118	36,447
Distributions	(57,214)	(39,000)	(397)	(96,611)
Additions	-	-	10,000	10,000
Interest and dividends	53,785	-	347	54,132
Balance as of March 31, 2019	\$ 1,453,659	\$ 1,098,562	\$ 15,121	\$ 2,567,342
Net investment gains (losses)	(138,812)	(99,029)	(2,122)	(239,963)
Distributions	(58,950)	(39,500)	(614)	(99,064)
Additions	-	-	5,000	5,000
Interest and dividends	16,147	-	173	16,320
Balance as of March 31, 2020	\$ 1,272,044	\$ 960,033	\$ 17,558	\$ 2,249,635

5. Availability and Liquidity

The following represents the Foundation's financial assets at March 31, 2020 and 2019:

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 1,469,648	\$ 697,174
Investments	13,683,830	15,565,989
Contribution receivable	112,500	89,078
Other receivable	866	-
Due from ACLU Union	688,648	-
Due from ACLU National	357,672	44,011
Interest receivable	-	57,611
Beneficial interest in trusts	960,033	1,098,562
Bill of Rights Trust	1,272,044	1,453,659
Pichey endowment	17,558	15,121
Total financial assets	18,562,799	19,021,205
Less amounts not available to be used within one year:		
Net assets with donor restrictions	11,692,690	12,548,997
Financial assets available to meet general expenditures over the next twelve months:	\$ 6,870,109	\$ 6,472,208

The Foundation's goal is generally to maintain financial assets to meet six months 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.

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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 \$151,897 and \$194,631 for the years ended March 31, 2020 and 2019, 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, 2020 and 2019, the financial statements of the pension plan reflected the fair value of plan assets of \$131,164,282 and \$126,225,694 available for benefit obligations of \$185,596,793 and \$163,020,696 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, 2020 and 2019 were \$100,146 and \$94,170, respectively, and are included with employee benefits on the accompanying statement of functional expenses.

7. Property and Equipment

Property and equipment as of March 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>Useful lives</u>
Computer equipment	\$ 327,026	\$ 296,119	5 years
Leasehold improvements	116,624	63,463	Term of lease
Office equipment	77,371	69,491	5 - 7 years
Furniture and fixtures	86,090	72,390	7 years
Less - accumulated depreciation	<u>(382,005)</u>	<u>(297,089)</u>	
	<u>\$ 225,106</u>	<u>\$ 204,374</u>	

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8. Donor Restricted Net Assets

The Foundation's donor restricted net assets consist of the following as of March 31, 2020 and 2019:

	As of 03/31/2020	As of 03/31/2019
<i>Time:</i>		
Promises to give	\$ 237,500	\$ -
<i>Specific Purpose:</i>		
Technology for liberty and justice for all	\$ 9,031,555	\$ 9,781,655
Separation of church and state	175,000	200,000
Pichey endowment - activism initiatives	17,558	15,121
Bill of rights endowment	1,271,044	1,453,659
Beneficial interest in trust	960,033	1,098,562
	<u>\$ 11,692,690</u>	<u>\$ 12,548,997</u>

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, 2020 and 2019, respectively. The investment goal 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, 2020 and 2019, distributions to the Foundation from the National Foundation amounted to \$58,950 and \$57,214, 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, 2020 and 2019. As of March 31, 2020 and 2019, there were no outstanding amounts due on the line.

American Civil Liberties Union Foundation of Massachusetts, Inc.

Notes to the Financial Statements

12. Concentrations

Contribution receivables

An amount due from one donor represents 63% of total contribution receivables as of March 31, 2020.

Revenue concentrations

During fiscal 2020 and 2019, a bequest from one donor represented 41% and 50%, respectively, of total bequest revenue recorded. During fiscal 2019, a contribution from one donor represented 78% of total contribution revenue recorded. During fiscal 2019, a grant from one grantor represented 85% of total grant revenue recorded.

13. Contingencies

The Foundation is from time to time 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.

14. Recent Pronouncements

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. This ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. This ASU also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Other major provisions include ensuring the time value of money is considered in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendments in this ASU are effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. The Organization adopted this ASU on April 1, 2019 on a modified retrospective basis. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020.

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15. Subsequent Events

In June 2020, the Union entered into a collective bargaining agreement that included approximately seventeen full time equivalents. The agreement includes provisions including but not limited to vacation accruals, normal working hours, etc.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.

The Foundation has evaluated subsequent events through October 5, 2020, 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.