



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

American Civil Liberties Union of Massachusetts, Inc.

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Independent Auditor's Report

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

I have audited the accompanying financial statements of American Civil Liberties Union of Massachusetts, Inc. (a nonprofit "Union"), which comprise the statements 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.

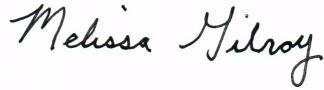
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Union's financial statements do not include the accounts of its affiliate, the American Civil Liberties Foundation of Massachusetts, Inc. (the Foundation), which in accordance with generally accepted accounting principles it controls. In my opinion, the Union's financial statements should include the accounts of the Foundation to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of this departure from generally accepted accounting principles on the financial position, results of operations, and cash flows of the Union is not practicable.

Qualified Opinion

In my opinion, except for the effects of the matter described above in the Basis for Qualified Opinion paragraph, 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, 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". The signature is written in a cursive, flowing style.

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

American Civil Liberties Union of Massachusetts, Inc.

Statements of Financial Position

As of March 31, 2020 and 2019

Assets

Current Assets	2020	2019
Cash and cash equivalents	\$ 3,793,119	\$ 1,318,372
Cash held for others	25,805	-
Investments	5,864,991	5,596,733
Due from ACLU National	261,737	294,451
Due from ACLU Foundation of MA	-	189,527
Prepaid expenses and other current assets	26,604	26,604
Total current assets	<u>9,972,256</u>	<u>7,425,687</u>
Leasehold improvements		
Leasehold improvements, net	<u>18,514</u>	<u>8,880</u>
Total Assets	\$ <u><u>9,990,770</u></u>	\$ <u><u>7,434,567</u></u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 127,395	\$ 23,211
Cash held for others	25,805	-
Due to ACLU National	150,000	-
Due to ACLU Foundation of MA	688,648	-
Total current liabilities	<u>991,848</u>	<u>23,211</u>
Long-term Liabilities		
Deferred rent	<u>78,890</u>	<u>109,307</u>
Total Liabilities	<u>1,070,738</u>	<u>132,518</u>
Net Assets		
Without donor restrictions	<u>8,920,032</u>	<u>7,302,049</u>
Total net assets	<u>8,920,032</u>	<u>7,302,049</u>
Total Liabilities and Net Assets	\$ <u><u>9,990,770</u></u>	\$ <u><u>7,434,567</u></u>

American Civil Liberties Union of Massachusetts, Inc.

Statements of Activities and Changes in Net Assets

For the years ended March 31, 2020 and 2019

	Without Donor Restrictions	With Donor Restriction	2020	Without Donor Restrictions	With Donor Restriction	2019
Operating						
Revenue and Support						
Membership fees	\$ 2,800,558	\$ -	\$ 2,800,558	\$ 3,042,148	\$ -	\$ 3,042,148
Contributions	36,291	-	36,291	63,521	-	63,521
Bequests contributions	4,259	-	4,259	49,031	-	49,031
Grants	-	100,000	100,000	100,000	-	100,000
Donated services	17,488	-	17,488	25,118	-	25,118
Dividends and interest	143,417	-	143,417	106,267	-	106,267
Other income	2,819	-	2,819	356	-	356
Net assets released from restriction	100,000	(100,000)	-	64,106	(64,106)	-
Total revenue and support	3,104,832	-	3,104,832	3,450,547	(64,106)	3,386,441
Expenses						
Program services	1,335,456	-	1,335,456	629,461	-	629,461
Management, general and administrative	294,679	-	294,679	147,286	-	147,286
Total expenses	1,630,135	-	1,630,135	776,747	-	776,747
Changes in net assets from operations	1,474,697	-	1,474,697	2,673,800	(64,106)	2,609,694
Non-operating						
Net realized and unrealized gains / (losses)	143,286	-	143,286	5,895	-	5,895
Total	143,286	-	143,286	5,895	-	5,895
Changes in Net Assets	1,617,983	-	1,617,983	2,679,695	(64,106)	2,615,589
Net Assets at Beginning of Year	7,302,049	-	7,302,049	4,622,354	64,106	4,686,460
Net Assets at End of Year	\$ 8,920,032	\$ -	\$ 8,920,032	\$ 7,302,049	\$ -	\$ 7,302,049

American Civil Liberties Union of Massachusetts, Inc.

Statements of Functional Expenses

For the years ended March 31, 2020 and 2019

	Program	Management and General	2020 Total	Program	Management and General	2019 Total
Salaries	\$ 734,757	\$ 171,101	\$ 905,858	\$ 307,137	\$ 55,077	\$ 362,214
Employee benefits	144,893	26,072	170,965	63,134	17,156	80,290
Payroll taxes	55,934	11,888	67,822	23,451	4,059	27,510
Subtotal	935,584	209,061	1,144,645	393,722	76,292	470,014
Professional fees	147,097	53,579	200,676	147,216	47,714	194,930
Support to other non-profits	99,792	-	99,792	-	-	-
Occupancy	71,720	15,198	86,918	32,518	7,692	40,210
Technology	18,985	4,062	23,047	8,894	1,850	10,744
Printing and publishing	8,613	-	8,613	8,485	134	8,619
Travel	13,402	3,067	16,469	7,660	2,988	10,648
Books, subscriptions	7,058	548	7,606	4,036	76	4,112
Due and fees	10,608	1,931	12,539	4,141	651	4,792
Telephone	4,934	587	5,521	3,937	411	4,348
Office expenses and supplies	2,032	595	2,627	2,396	4,984	7,380
Insurance	2,120	494	2,614	788	277	1,065
Event expenses	4,820	3,633	8,453	4,365	3,078	7,443
Equipment lease and maintenance	1,009	282	1,291	512	161	673
Postage	1,009	230	1,239	8,454	88	8,542
Depreciation	6,673	1,412	8,085	2,337	890	3,227
Total Functional Expenses	\$ 1,335,456	\$ 294,679	\$ 1,630,135	\$ 629,461	\$ 147,286	\$ 776,747

American Civil Liberties Union of Massachusetts, Inc.

Statements of Cash Flows

For the years ended March 31, 2019 and 2018

Cash Flows from Operating Activities	2020	2019
Changes in Net Assets	\$ 1,617,983	\$ 2,615,589
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	8,085	3,227
Net realized and unrealized (gain) / loss on investments	(143,286)	(5,895)
Interest and dividends reinvested	(124,972)	(106,267)
Increase (decrease) in cash resulting from a change in:		
Due from ACLU National	32,714	17,650
Due to ACLU National	150,000	-
Due from ACLU Foundation of MA	189,527	(189,527)
Due to ACLU Foundation of MA	688,648	81,283
Accounts payable and accrued expenses	104,184	(36,486)
Deferred rent	(30,417)	(23,537)
Net Cash Provided by (Used in) Operating Activities	2,492,466	2,356,037
Cash Flows from Investing Activities		
Purchase of investments	-	(3,111,718)
Proceeds from the sale of investments	-	1,361,719
Purchases of leasehold improvements	(17,719)	-
Net Cash Provided by (Used in) Investing Activities	(17,719)	(1,749,999)
Net (Decrease) Increase in Cash and Cash Equivalents	2,474,747	606,038
Cash and Cash Equivalents - Beginning	1,318,372	712,334
Cash and Cash Equivalents - Ending	\$ 3,793,119	\$ 1,318,372

American Civil Liberties Union of Massachusetts, Inc.

Notes to Financial Statements

1. Nature of the Business

American Civil Liberties Union of Massachusetts, Inc. (the “Union” or the “Organization”) is a non-profit corporation whose mission is to defend freedoms guaranteed in the Constitution and Bill of Rights and to educate the population about civil liberties through its legislative and education programs. The Union’s main source of revenue is derived from membership dues paid by members throughout Massachusetts. The Union is affiliated with the American Civil Liberties Union, Inc. (“the National Union”), the American Civil Liberties Foundation, Inc. (the “National Foundation”) and the American Civil Liberties Union Foundation of Massachusetts, Inc. (“the Foundation”).

The Union’s Board appoints the Board of the Foundation and as such, in accordance with generally accepted accounting principles in the United States (GAAP), controls the Foundation’s accounts. The Union did not consolidate the accounts of the Foundation as required by GAAP. The Foundation is audited separately from the Union and management has determined that consolidation of both organizations accounts would not provide results that are beneficial to the Board of the Union.

The Union is exempt from Federal income taxes under section 501(c) (4) of the Internal Revenue Code. The Union 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 Union’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 Union 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 Union 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 GAAP which requires 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 Union considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents.

Cash Held for Others

The Union is the fiscal agent for the ROE Coalition (the "Coalition") that is comprised of three non-profit organizations. The Union does not have variance power over these funds. The cash held for the Coalition is in a separate bank account. As the Union does not have control over these funds and they are committed to purposes to remit related to Coalition expenditures, the Union has recorded a corresponding liability in the accompanying financial statements.

Accounts Receivable

The Union carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Union evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

Property and Leasehold Improvements

Property and leasehold improvements 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 asset's estimated useful lives.

Functional Allocation of Expenses

The Union allocates its expenses on a functional basis amongst its various programs and other activities. All of the Union's allocated expenditures have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. "Management, general and administrative expenses" include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Union and include those costs related to the internal management and accounting for program services.

Revenue Recognition

Membership dues are comprised of a contribution element only as no exchange is transacted with the member. The Union recognizes membership income upon receipt of the donation.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, 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.

American Civil Liberties Union 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 services provided to the Union. 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 amounted to \$17,488 and \$25,118 and consisted primarily of donated legal services for the years ended March 31, 2020 and 2019, respectively.

Beneficial Interests

The Union is a beneficiary under the terms of various wills and trust agreements, the total realizable amounts of which are not determinable at present. The Union's share of such interests are recorded when the proceeds are measurable. Accordingly, the Union has not recorded the value of these interests in the accompanying financial statements.

Income Taxes

The Union is organized as a Massachusetts nonprofit corporation and is recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(4) and has been determined to not be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Union is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Union 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 Union is not subject to unrelated business income tax and therefore has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Union follows the provisions in GAAP, *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Union 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.

Investments

The Union 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.

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

2. Summary of Significant Accounting Policies (continued)

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 Union 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 Union 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.

3. Leasehold Improvements

Leasehold improvements as of March 31 consisted of the following:

	2020	2019
Leasehold improvements	\$ 33,586	\$ 15,867
Less: accumulated depreciation	(15,072)	(6,987)
	<u>\$ 18,514</u>	<u>\$ 8,880</u>

Depreciation expense for the years ended March 31, 2020 and 2019 totaled \$8,085 and \$3,227, respectively.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

4. Fair Value Measurements

The following fair value hierarchy table presents information about the Union's assets measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at March 31, 2020 and 2019. There were no other recurring or non-recurring assets or liabilities requiring disclosure in accordance with GAAP.

Type	As of March 31, 2020			
	Level 1	Level II	Level III	Total
Money Market Fund	\$ 1,198,632	\$ -	\$ -	\$ 1,198,632
<i>Mutual Funds:</i>				
Treasury Index Fund	1,233,080	-	-	1,233,080
International Fund	379,604	-	-	379,604
Bond Market Fund	2,463,740	-	-	2,463,740
Stock Market Fund	589,935	-	-	589,935
	<u>\$ 5,864,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,864,991</u>

Type	As of March 31, 2019			
	Level 1	Level II	Level III	Total
Money Market Fund	\$ 1,810,227	\$ -	\$ -	\$ 1,810,227
<i>Mutual Funds:</i>				
Real Estate Fund	244,081	-	-	244,081
International Fund	933,864	-	-	933,864
Emerging Market Fund	234,639	-	-	234,639
Extended Market Fund	237,770	-	-	237,770
Growth Fund	979,337	-	-	979,337
Pacific Fund	460,426	-	-	460,426
Value Index Fund	696,389	-	-	696,389
	<u>\$ 5,596,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,596,733</u>

5. Related Party Transactions

The Foundation

The Union is affiliated with the Foundation through shared management and administrative costs. The Foundation charged the Union \$1,155,294 and \$439,753, respectively, for salaries, benefits and related payroll taxes for the years ended March 31, 2020 and 2019. As of March 31, 2020, the Union has a payable due to the Foundation related to these allocated costs amounting to \$688,648. Additionally, the Union shares its facilities with Foundation staff. As a result, a portion of the rent expense is charged to the Foundation for its proportional share of the rent based on the amount of space utilized by Foundation employees. The Union charged the Foundation \$423,060 and \$327,116 for its share of the rent expense for the years ended March 31, 2020 and 2019, respectively.

Related to the transactions described above, as of March 31, 2020 and 2019, the Union has a receivable due from the Foundation amounting to zero and \$189,527, respectively.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

5. Related Party Transactions - continued

The National Union

The Union is a chapter of the National Union. The Union receives funds from the National Union for allocated membership contributions made directly to the National Union. The total funds allocated to the Union for members located in Massachusetts was \$2,800,558 and \$3,042,148 for the years ended March 31, 2020 and 2019, respectively. Additionally, during 2020, the National ACLU granted the Union \$100,000 which is included in grant income in the accompanying financial statements. During 2020, the National ACLU over paid the Union and as such, the Union has recorded a payable due to National amounting to \$150,000 in the accompanying financial statements.

In addition, in accordance with the affiliation agreement, the Union receives certain contributions and bequests as defined in that agreement. Below is a summary of amounts due the Union from the National Union as of March 31:

	2020	2019
Shared revenue from the National Union	\$ 40,436	\$ 89,018
Membership income from the National Union	221,301	205,433
	<u>\$ 261,737</u>	<u>\$ 294,451</u>

6. Availability and Liquidity

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

Financial assets at year end:	2020	2019
Cash and cash equivalents	\$ 3,793,119	\$ 1,318,372
Investments	5,864,991	5,596,733
Due from ACLU National	261,737	294,451
Due from ACLU Foundation	-	189,527
Total financial assets	<u>9,919,847</u>	<u>7,399,083</u>

The Union'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.

7. Retirement Plans

Pension Plan

The Union participates in a non-contributory defined benefit plan, the American Civil Liberties Union Retirement Plan, through the National Union. 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 Union based on the number of participating employees. Pension expense amounted to \$35,566 and \$31,876 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.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

7. Retirement Plans – continued

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 Union. Accumulated plan benefits information 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 \$163,030,696 in accumulated plan benefits, respectively. As the liability directly related to the Union is not known, no liability has been recorded.

401k Plan

The Union 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 Union will match 100% of the first 1% of employee contributions plus 50% of the next 5% of employee contributions. Additionally, the Union makes an automatic employer contribution of 2% each pay period. The Union's employer contributions vest after two years of employment. Total contributions for the years ended March 31, 2020 and 2019 were \$26,192 and \$5,648, respectively, and are included in employee benefits in the accompanying statement of functional expenses.

8. Lease Commitments

The Union has a non-cancelable lease for facility space which expires in December 2022 with an option to extend the term through December 2026. The lease payments are \$32,081 per month with required escalation increases as defined in the agreement. The Union is also responsible for operating costs as defined in the lease agreement.

As required by GAAP, the Union records rent expense on a straight-line basis, accordingly, the Union has recorded deferred rent amounting to \$78,890 and \$109,307 as of March 31, 2020 and 2019, respectively. The Union shares space with the Foundation and as such has allocated its proportional share of the rent expense. Total rent expense amounted to \$73,097 and \$38,029 for the years ended March 31, 2020 and 2019, respectively, which is net of amounts received from the Foundation.

Future minimum cash payments under the lease are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2021	\$ 407,036
2022	\$ 307,551
2023	\$ -
2024	\$ -
2025	\$ -

9. Concentration of Credit Risk

The Union maintains its cash balances in a Massachusetts bank. At various times during the year, the Union's cash balances exceeded the FDIC insured limits. The Union monitors its exposure to credit risk and has determined that it has no significant exposure to credit risk.

10. 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 statement of financial position 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 statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020

11. Contingencies

The Union 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 Union or the results of its activities.

12. Subsequent Events

In June 2020, the Union entered into a collective bargaining agreement that included approximately four 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 Union has evaluated subsequent events through October 5, 2020, which is the date financial statements were available to be issued and determined that no other events met the criteria for recognition or disclosure in the financial statements.