



**American Civil Liberties Union of Massachusetts, Inc.
Financial Statements
For the Years Ended
March 31, 2021 and 2020**

American Civil Liberties Union of Massachusetts, Inc.

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Independent Auditor's Report

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Melissa Gilroy, CPA

mg@mgilroycpa.com
(p) 781.696.4019

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, 2021 and 2020, 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.

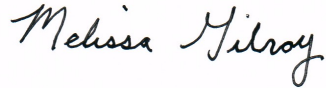
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 not including the accounts of the Foundation in the accompanying financial statements as explained 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, 2021 and 2020 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
November 22, 2021

American Civil Liberties Union of Massachusetts, Inc.

Statements of Financial Position

As of March 31, 2021 and 2020

Assets

	<u>2021</u>		<u>2020</u>
Current Assets			
Cash and cash equivalents	\$ 1,626,937	\$	3,793,119
Cash held for others	-		25,805
Investments	9,474,133		5,864,991
Due from ACLU National	1,179,220		261,737
Prepaid expenses and other current assets	65,644		26,604
Total current assets	<u>12,345,934</u>		<u>9,972,256</u>
Leasehold improvements			
Leasehold improvements, net	<u>7,411</u>		<u>18,514</u>
Total Assets	<u>\$ 12,353,345</u>	<u>\$</u>	<u>9,990,770</u>

Liabilities and Net Assets

Current Liabilities			
Accounts payable and accrued expenses	\$ 113,981	\$	127,395
Cash held for others	-		25,805
Due to ACLU National	-		150,000
Due to ACLU Foundation	263,998		688,648
Total current liabilities	<u>377,979</u>		<u>991,848</u>
Long-term Liabilities			
Deferred rent	<u>35,110</u>		<u>78,890</u>
Total Liabilities	<u>413,089</u>		<u>1,070,738</u>
Net Assets			
Without donor restrictions	<u>11,940,256</u>		<u>8,920,032</u>
Total net assets	<u>11,940,256</u>		<u>8,920,032</u>
Total Liabilities and Net Assets	<u>\$ 12,353,345</u>	<u>\$</u>	<u>9,990,770</u>

American Civil Liberties Union of Massachusetts, Inc.

Statements of Activities and Changes in Net Assets

For the years ended March 31, 2021 and 2020

	Without Donor Restrictions	With Donor Restriction	2021	Without Donor Restrictions	With Donor Restriction	2020
Operating						
Revenue and Support						
Membership fees	\$ 3,244,539	-	3,244,539	\$ 2,800,558	-	2,800,558
Contributions	48,522	-	48,522	36,291	-	36,291
Bequests contributions	644,143	-	644,143	4,259	-	4,259
Grants	-	70,000	70,000	-	100,000	100,000
Donated services	194,798	-	194,798	17,488	-	17,488
Dividends and interest	109,369	-	109,369	143,417	-	143,417
Other income	-	-	-	2,819	-	2,819
Net assets released from restriction	70,000	(70,000)	-	100,000	(100,000)	-
Total revenue and support	<u>4,311,371</u>	<u>-</u>	<u>4,311,371</u>	<u>3,104,832</u>	<u>-</u>	<u>3,104,832</u>
Expenses						
Program services	1,486,232	-	1,486,232	1,335,456	-	1,335,456
Management, general and administrative	323,894	-	323,894	294,679	-	294,679
Total expenses	<u>1,810,126</u>	<u>-</u>	<u>1,810,126</u>	<u>1,630,135</u>	<u>-</u>	<u>1,630,135</u>
Changes in net assets from operations	2,501,245	-	2,501,245	1,474,697	-	1,474,697
Non-operating						
Net realized and unrealized gains / (losses)	518,979	-	518,979	143,286	-	143,286
Total	<u>518,979</u>	<u>-</u>	<u>518,979</u>	<u>143,286</u>	<u>-</u>	<u>143,286</u>
Changes in Net Assets	3,020,224	-	3,020,224	1,617,983	-	1,617,983
Net Assets at Beginning of Year	<u>8,920,032</u>	<u>-</u>	<u>8,920,032</u>	<u>7,302,049</u>	<u>-</u>	<u>7,302,049</u>
Net Assets at End of Year	<u>\$ 11,940,256</u>	<u>-</u>	<u>11,940,256</u>	<u>\$ 8,920,032</u>	<u>-</u>	<u>8,920,032</u>

The accompanying notes are an integral part to these financial statements.

American Civil Liberties Union of Massachusetts, Inc.

Statement of Functional Expenses

For the years ended March 31, 2021 and 2020

	Program	Management and General	2021 Total	Program	Management and General	2020 Total
Salaries	\$ 755,791	189,286	\$ 945,077	\$ 734,757	171,101	\$ 905,858
Employee benefits	158,422	44,756	203,178	144,893	26,072	170,965
Payroll taxes	62,783	16,954	79,737	55,934	11,888	67,822
Subtotal	976,996	250,996	1,227,992	935,584	209,061	1,144,645
Professional fees	145,678	41,549	187,227	133,760	49,429	183,189
Professional fees - donated	192,172	2,626	194,798	13,337	4,150	17,487
Support to other non-profits	9,199	-	9,199	99,792	-	99,792
Occupancy	78,614	15,562	94,176	71,720	15,198	86,918
Technology	18,140	3,403	21,543	18,985	4,062	23,047
Printing and publishing	1,839	-	1,839	8,613	-	8,613
Travel	506	196	702	13,402	3,067	16,469
Books, subscriptions	18,878	921	19,799	7,058	548	7,606
Due and fees	12,452	3,010	15,462	10,608	1,931	12,539
Telephone	15,390	1,181	16,571	4,934	587	5,521
Office expenses and supplies	1,919	923	2,842	2,032	595	2,627
Insurance	3,252	668	3,920	2,120	494	2,614
Event expenses	290	29	319	4,820	3,633	8,453
Equipment lease and maintenance	707	135	842	1,009	282	1,291
Postage	614	203	817	1,009	230	1,239
Miscellaneous	347	628	975	-	-	-
Depreciation	9,239	1,864	11,103	6,673	1,412	8,085
Total Functional Expenses	\$ 1,486,232	323,894	\$ 1,810,126	\$ 1,335,456	294,679	\$ 1,630,135

The accompanying notes are an integral part to these financial statements.

American Civil Liberties Union of Massachusetts, Inc.

Statements of Cash Flows

For the years ended March 31, 2021 and 2020

Cash Flows from Operating Activities	2021	2020
Changes in Net Assets	\$ 3,020,224	\$ 1,617,983
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	11,103	8,085
Net realized and unrealized (gain) / loss on investments	(518,979)	(143,286)
Interest and dividends reinvested	(104,375)	(124,972)
Increase (decrease) in cash resulting from a change in:		
Due from ACLU National	(917,483)	32,714
Prepaid and other current assets	(39,040)	-
Due to ACLU National	(150,000)	150,000
Due from ACLU Foundation of MA	-	189,527
Due to ACLU Foundation of MA	(424,650)	688,648
Accounts payable and accrued expenses	(13,414)	104,184
Deferred rent	(43,780)	(30,417)
Net Cash Provided by (Used in) Operating Activities	819,606	2,492,466
Cash Flows from Investing Activities		
Purchase of investments	(5,326,024)	-
Proceeds from the sale of investments	2,340,236	-
Purchases of leasehold improvements	-	(17,719)
Net Cash Provided by (Used in) Investing Activities	(2,985,788)	(17,719)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,166,182)	2,474,747
Cash and Cash Equivalents - Beginning	3,793,119	1,318,372
Cash and Cash Equivalents - Ending	\$ 1,626,937	\$ 3,793,119

The accompanying notes are an integral part to these financial statements.

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 nonprofit 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.

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.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash Held for Others

The Union is the fiscal agent for the ROE 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 related to Coalition expenditures, the Union has recorded a corresponding liability in the accompanying financial statements. During fiscal 2021, the project with the ROE Coalition was completed and as such, the funds were fully expended.

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.

Leasehold Improvements

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 statement of activities and in the statement 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.

The Union recognizes 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 \$194,798 and \$17,488 and consisted primarily of donated legal services for the years ended March 31, 2021 and 2020, 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 is 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, 2021 and 2020. 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 2018.

Investments

The Union investments are carried at fair value as determined by quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses on investments resulting from market fluctuations are recorded in the accompanying statement of activities in the period that such fluctuations occur. Dividend and interest income is recorded as earned.

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. 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 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:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 33,586	\$ 33,586
Less: accumulated depreciation	<u>(26,175)</u>	<u>(15,072)</u>
	<u>\$ 7,411</u>	<u>\$ 18,514</u>

Depreciation expense for the years ended March 31, 2021 and 2020 was \$11,103 and \$8,085, 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, 2021 and 2020. There were no other recurring or non-recurring assets or liabilities requiring disclosure in accordance with GAAP.

Type	As of March 31, 2021			
	Level 1	Level II	Level III	Total
Money Market Fund	\$ 1,859,782	\$ -	\$ -	\$ 1,859,782
<i>Mutual Funds:</i>				
Treasury Index Fund	1,865,700	-	-	1,865,700
International Fund	842,499	-	-	842,499
Bond Market Fund	3,623,359	-	-	3,623,359
Stock Market Fund	1,282,793	-	-	1,282,793
	<u>\$ 9,474,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,474,133</u>

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>

5. Related Party Transactions

The Foundation

The Union is affiliated with the Foundation through shared management and administrative costs. The Foundation charged the Union \$1,292,932 and \$1,155,294, respectively, for salaries, benefits and related payroll taxes for the years ended March 31, 2021 and 2020. 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 \$331,124 and \$387,590 for its share of the rent and other occupancy related expense for the years ended March 31, 2021 and 2020, respectively. Related to the transactions described above, as of March 31, 2021 and 2020, the Union recorded a payable amounting to \$263,998 and \$688,648, 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 \$3,244,539 and \$2,800,558 for the years ended March 31, 2021 and 2020, respectively. Additionally, during 2021 and 2020, the National ACLU granted the Union \$70,000 and \$100,000, respectively, 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 accompany financial statements. In fiscal 2021, this amount was paid in full.

In addition, in accordance with the affiliation agreement, the Union receives certain shared 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:

	<u>2021</u>	<u>2020</u>
Shared revenue from the National Union	\$ 666,665	\$ 40,436
Membership income from the National Union	512,555	221,301
	<u>\$1,179,220</u>	<u>\$ 261,737</u>

6. Availability and Liquidity

The following represents the Union's financial assets at March 31, 2021 and 2020:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,626,937	\$3,793,119
Investments	9,474,133	5,864,991
Due from ACLU National	1,179,220	261,737
Total financial assets	<u>12,280,290</u>	<u>9,919,847</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$12,280,290</u>	<u>\$9,919,847</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.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

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 \$46,647 and \$35,567 for the years ended March 31, 2021 and 2020, 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 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, 2021 and 2020, the financial statements of the pension plan reflected the fair value of plan assets of \$176,015,631 and \$131,164,282 available for benefit obligations of \$203,896,673 and \$185,596,793 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 Foundation makes an automatic employer contribution of 2% each pay period. The Foundation’s employer contributions vest after two years of employment. Total contributions for the years ended March 31, 2021 and 2020 were \$31,095 and \$26,192, 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 2021. The lease had an option to extend the term through December 2026 which expired prior to the date of the auditor’s report. The lease payments are \$32,081 per month with required escalation increases as defined in the agreement. As of the year-ended March 31, 2021 monthly rent amounted to \$34,071 including escalation amounts. 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 \$35,110 and \$78,890 as of March 31, 2021 and 2020, 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 \$81,167 and \$73,097 for the years ended March 31, 2021 and 2020, respectively, which is net of amounts received from the Foundation.

American Civil Liberties Union of Massachusetts, Inc.

Notes to the Financial Statements

8. Lease Commitments - continued

Future minimum cash payments under the lease are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2022	\$ 307,551
2023	\$ -
2024	\$ -
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 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, 2021. The Organization is assessing the impact this standard will have on the financial statements.

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. Collective Bargaining Agreement

The Union has a collective bargaining agreement with certain employees that included approximately three full time equivalents. The agreement includes provisions including but not limited to vacation accruals, normal working hours, etc.

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13. Risks and Uncertainties

During fiscal 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a pandemic. To support public health and employee safety, the Union closed its office. The impact to the Union included disruption or restrictions on employees' ability to work, and suspension or restrictions on some programming and special events. In addition, there has been significant volatility in the financial markets which may have an impact on the valuation of the Union's investments and income thereon. The Union is closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these fluctuations.

14. Subsequent Events

Subsequent to year-end, the Union signed a lease for space that will commence upon the date the Landlord delivers possession of the premises to the Union, which delivery is expected to occur in fiscal 2022. Once possession occurs, no lease payments are due for the first six months. Thereafter, monthly lease payments amount to approximately \$65,000 for the next twelve months. Payments on the lease increase annually until the lease expiration date, which occurs 126 months after the commencement date. As the lease commencement date is unknown as of the audit report date, the schedule of rents due over a five-year period cannot be disclosed.

The Union has evaluated subsequent events through November 22, 2021, 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.