



**American Civil Liberties Union of Massachusetts, Inc.  
Financial Statements  
For the Years Ended  
March 31, 2022 and 2021**

**American Civil Liberties Union of Massachusetts, Inc.**

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**Independent Auditor's Report**

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## Independent Auditor's Report

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

### Qualified Opinion

I have audited the accompanying financial statements of American Civil Liberties Union of Massachusetts, Inc. (a nonprofit organization, the "Union"), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, except for the effects of not including the accounts of its affiliate, the American Civil Liberties Foundation of Massachusetts, Inc. (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, 2022 and 2021 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.

### 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 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.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Union's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

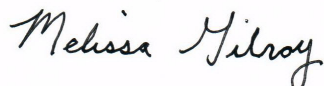
### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



Melissa Gilroy, Certified Public Accountant  
Westwood, Massachusetts  
November 28, 2022

## American Civil Liberties Union of Massachusetts, Inc.

### Statements of Financial Position

As of March 31, 2022 and 2021

#### Assets

<b>Current Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 3,720,920	\$ 1,626,937
Investments	9,429,249	9,474,133
Due from ACLU National	388,643	1,179,220
Prepaid expenses and other current assets	-	65,644
<b>Total current assets</b>	<b>13,538,812</b>	<b>12,345,934</b>
<b>Leasehold improvements</b>		
Leasehold improvements, net	34,619	7,411
<b>Total Assets</b>	<b>\$ 13,573,431</b>	<b>\$ 12,353,345</b>

#### Liabilities and Net Assets

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 103,306	\$ 113,981
Due to ACLU Foundation	98,927	263,998
<b>Total current liabilities</b>	<b>202,233</b>	<b>377,979</b>
<b>Long-term Liabilities</b>		
Deferred rent	-	35,110
<b>Total Liabilities</b>	<b>202,233</b>	<b>413,089</b>
<b>Net Assets</b>		
Without donor restrictions	13,371,198	11,940,256
<b>Total net assets</b>	<b>13,371,198</b>	<b>11,940,256</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,573,431</b>	<b>\$ 12,353,345</b>

## American Civil Liberties Union of Massachusetts, Inc.

### Statements of Activities and Changes in Net Assets

For the years ended March 31, 2022 and 2021

	Without Donor Restrictions	With Donor Restriction	2022	Without Donor Restrictions	With Donor Restriction	2021
<b>Operating</b>						
<b>Revenue and Support</b>						
Membership fees	\$ 3,004,858	-	<b>3,004,858</b>	\$ 3,244,539	-	3,244,539
Contributions	52,791	-	<b>52,791</b>	48,522	-	48,522
Bequests contributions	171,417	-	<b>171,417</b>	644,143	-	644,143
Grants	-	65,000	<b>65,000</b>	-	70,000	70,000
Donated services	142,574	-	<b>142,574</b>	194,798	-	194,798
Dividends and interest	167,053	-	<b>167,053</b>	109,369	-	109,369
Net assets released from restriction	65,000	(65,000)	-	70,000	(70,000)	-
Total revenue and support	<u>3,603,693</u>	<u>-</u>	<u><b>3,603,693</b></u>	<u>4,311,371</u>	<u>-</u>	<u>4,311,371</u>
<b>Expenses</b>						
Program services	1,679,236	-	<b>1,679,236</b>	1,486,232	-	1,486,232
Management, general and administrative	301,451	-	<b>301,451</b>	323,894	-	323,894
Total expenses	<u>1,980,687</u>	<u>-</u>	<u><b>1,980,687</b></u>	<u>1,810,126</u>	<u>-</u>	<u>1,810,126</u>
<b>Changes in net assets from operations</b>	1,623,006	-	<b>1,623,006</b>	2,501,245	-	2,501,245
<b>Non-operating</b>						
Net realized and unrealized gains / (losses)	(192,064)	-	<b>(192,064)</b>	518,979	-	518,979
Total	<u>(192,064)</u>	<u>-</u>	<u><b>(192,064)</b></u>	<u>518,979</u>	<u>-</u>	<u>518,979</u>
<b>Changes in Net Assets</b>	1,430,942	-	<b>1,430,942</b>	3,020,224	-	3,020,224
<b>Net Assets at Beginning of Year</b>	<u>11,940,256</u>	<u>-</u>	<u><b>11,940,256</b></u>	<u>8,920,032</u>	<u>-</u>	<u>8,920,032</u>
<b>Net Assets at End of Year</b>	<u>\$ 13,371,198</u>	<u>-</u>	<u><b>13,371,198</b></u>	<u>\$ 11,940,256</u>	<u>-</u>	<u>11,940,256</u>

## American Civil Liberties Union of Massachusetts, Inc.

### Statement of Functional Expenses

For the years ended March 31, 2022 and 2021

	Program	Management and General	2022 Total	Program	Management and General	2021 Total
Salaries	\$ 818,453	173,846	\$ 992,299	\$ 755,791	189,286	\$ 945,077
Employee benefits	240,277	57,461	297,738	158,422	44,756	203,178
Payroll taxes	66,747	14,198	80,945	62,783	16,954	79,737
Subtotal	1,125,477	245,505	1,370,982	976,996	250,996	1,227,992
Professional fees	227,879	23,952	251,831	145,678	41,549	187,227
Professional fees - donated	136,714	5,860	142,574	192,172	2,626	194,798
Support to other non-profits	20,000	-	20,000	9,199	-	9,199
Occupancy	67,181	14,557	81,738	78,614	15,562	94,176
Technology	21,347	2,645	23,992	18,140	3,403	21,543
Printing and publishing	25,774	530	26,304	1,839	-	1,839
Travel	1,018	411	1,429	506	196	702
Books, subscriptions	17,724	196	17,920	18,878	921	19,799
Due and fees	17,766	3,601	21,367	12,452	3,010	15,462
Telephone	3,283	616	3,899	15,390	1,181	16,571
Office expenses and supplies	1,800	568	2,368	1,919	923	2,842
Insurance	4,246	869	5,115	3,252	668	3,920
Event expenses	322	349	671	290	29	319
Equipment lease and maintenance	600	90	690	707	135	842
Postage	422	110	532	614	203	817
Miscellaneous	1,000	863	1,863	347	628	975
Depreciation	6,683	729	7,412	9,239	1,864	11,103
<b>Total Functional Expenses</b>	<b>\$ 1,679,236</b>	<b>301,451</b>	<b>\$ 1,980,687</b>	<b>\$ 1,486,232</b>	<b>323,894</b>	<b>\$ 1,810,126</b>

## American Civil Liberties Union of Massachusetts, Inc.

### Statements of Cash Flows

For the years ended March 31, 2022 and 2021

Cash Flows from Operating Activities	2022	2021
Changes in Net Assets	\$ 1,430,942	\$ 3,020,224
<b>Adjustments to reconcile change in net assets to cash provided by operations</b>		
Depreciation	7,412	11,103
Net realized and unrealized (gain) / loss on investments (net)	210,841	(518,979)
Interest and dividends reinvested	(165,957)	(104,375)
Increase (decrease) in cash resulting from a change in:		
Due from ACLU National	790,577	(917,483)
Prepaid and other current assets	65,644	(39,040)
Due to ACLU National	-	(150,000)
Due to ACLU Foundation of MA	(165,071)	(424,650)
Accounts payable and accrued expenses	(10,675)	(13,414)
Deferred rent	(35,110)	(43,780)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>2,128,603</b>	<b>819,606</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(7,914,613)	(5,326,024)
Proceeds from the sale of investments	7,914,613	2,340,236
Purchases of leasehold improvements	(34,620)	-
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(34,620)</b>	<b>(2,985,788)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>2,093,983</b>	<b>(2,166,182)</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>1,626,937</b>	<b>3,793,119</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 3,720,920</b>	<b>\$ 1,626,937</b>



## American Civil Liberties Union of Massachusetts, Inc.

### Notes to Financial Statements

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#### 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 summarized financial position and results of operations of the Foundation are presented below:

	2022	2021
Assets	\$ 25,972,208	\$ 25,120,569
Liabilities	332,422	401,402
Net Assets	25,639,786	24,719,167
Revenue	\$ 6,090,504	\$ 7,660,243
Expenses	5,212,134	5,450,813
Other non-operating - income / (loss)	42,249	4,167,188
Net income	\$ 920,619	\$ 6,376,618

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.

## American Civil Liberties Union of Massachusetts, Inc.

### Notes to the Financial Statements

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#### 2. Summary of Significant Accounting Policies (continued)

##### **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.

##### **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

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#### 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 \$142,574 and \$194,798 and consisted primarily of donated legal services for the years ended March 31, 2022 and 2021, 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, 2022 and 2021. 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 2019.

##### **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. 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, 2022 and 2021. There were no other recurring or non-recurring assets or liabilities requiring disclosure in accordance with GAAP.

Type	As of March 31, 2022			
	Level 1	Level II	Level III	Total
Money Market Fund	\$ 801,557	\$ -	\$ -	\$ 801,557
<i>Mutual Funds:</i>				
International Fund	2,090,035	-	-	2,090,035
Bond Market Fund	3,106,539	-	-	3,106,539
Stock Market Fund	3,431,118	-	-	3,431,118
	<u>\$ 9,429,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,429,249</u>

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>

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

**4. Leasehold Improvements**

Leasehold improvements as of March 31 consisted of the following:

	2022	2021
Leasehold improvements	\$ 34,619	\$ 33,586
Less: accumulated depreciation	-	(26,175)
	<u>\$ 34,619</u>	<u>\$ 7,411</u>

Depreciation expense for the years ended March 31, 2022 and 2021 was \$7,412 and \$11,103, respectively.

**5. Related Party Transactions**

*The Foundation*

The Union is affiliated with the Foundation through shared management and administrative costs. The Foundation charged the Union \$1,421,750 and \$1,292,932, respectively, for salaries, benefits and related payroll taxes for the years ended March 31, 2022 and 2021. 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 \$269,150 and \$331,124 for its share of the rent and other occupancy related expense for the years ended March 31, 2022 and 2021, respectively. Related to the transactions described above, as of March 31, 2022 and 2021, the Union recorded a payable amounting to \$98,927 and \$263,998, respectively.

*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 \$3,004,858 and \$3,244,539 or the years ended March 31, 2022 and 2021, respectively. Additionally, during 2022 and 2021, the National ACLU granted the Union \$65,000 and \$70,000, respectively, which is included in grant income in the accompanying financial statements.

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:

	2022	2021
Shared revenue from the National Union	\$ 169,208	\$ 666,665
Membership income from the National Union	219,435	512,555
	<u>\$ 388,643</u>	<u>\$ 1,179,220</u>

**6. Availability and Liquidity**

The following represents the Union's financial assets at March 31, 2022 and 2021:

Financial assets at year end:	2022	2021
Cash and cash equivalents	\$ 3,720,920	\$ 1,626,937
Investments	9,429,249	9,474,133
Due from ACLU National	388,643	1,179,220
Total financial assets	<u>13,538,812</u>	<u>12,280,290</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 13,538,812</u>	<u>\$ 12,280,290</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

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#### 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 \$122,136 and \$46,647 for the years ended March 31, 2022 and 2021, 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, 2022 and 2021, the financial statements of the pension plan reflected the fair value of plan assets of \$176,019,163 and \$176,015,631 available for benefit obligations of \$198,372,769 and \$203,896,673 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, 2022 and 2021 were \$34,968 and \$31,095, respectively, and are included in employee benefits in the accompanying statement of functional expenses.

#### 8. Lease Commitments

The Union had a non-cancelable lease for facility space which expired in December 2021. The lease had an option to extend the term through December 2026 which was not exercised. The lease payments were approximately \$34,000 per month with required escalation increases as defined in the agreement. The Union was also responsible for operating costs as defined in the lease agreement.

During fiscal 2022, the Union signed a lease for space that commenced upon the date the Landlord delivers possession of the premises to the Union, which occurred in May 2022. Upon possession, 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. In connection with the lease, the landlord required the Union to obtain a letter of credit from a financial institution amounting to \$357,129.

## American Civil Liberties Union of Massachusetts, Inc.

### Notes to the Financial Statements

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#### 8. Lease Commitments - continued

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

<u>Fiscal year</u>	<u>Amount</u>
2023	\$ 276,143
2024	\$ 787,986
2025	\$ 803,746
2026	\$ 819,821
2027	\$ 836,218
Thereafter	\$5,062,397

As required by GAAP, the Union records rent expense on a straight-line basis, accordingly, the Union has recorded deferred rent amounting to zero and \$35,110 as of March 31, 2022 and 2021, 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 \$61,731 and \$81,167 for the years ended March 31, 2022 and 2021, respectively, which is net of amounts received from the Foundation.

#### 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 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.

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires disclosure of contributed nonfinancial assets in a separate line item within the statement of activities, disclosure of the policy about monetizing rather than utilizing contributed nonfinancial assets and qualitative information about those monetized or utilized during the fiscal year, and a description of any donor-imposed restrictions on the contributed nonfinancial assets. This guidance must be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization has adopted this standard which did not have a material impact on its 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 two full time equivalents. The agreement includes provisions including but not limited to vacation accruals, normal working hours, etc.

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

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**13. Subsequent Events**

The Union has evaluated subsequent events through November 28, 2022, 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.