

**AMERICAN CIVIL LIBERTIES UNION OF
MASSACHUSETTS, INC.**

Financial Statements

Years Ended March 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.

FINANCIAL STATEMENTS

Years Ended March 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of American Civil Liberties Union of Massachusetts, Inc. (the Union) (a not-for-profit organization), which comprise the statement of financial position as of March 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of not recording the accounts and transactions of American Civil Liberties Union Foundation of Massachusetts, Inc. (the Foundation), in which the Union has a controlling financial interest, in the financial statements as described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Union as of March 31, 2023, and the changes in its net assets and its cash flows for the year 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 has not recorded the accounts and transactions of the Foundation, in which Union has a controlling financial interest. In our opinion, accounting principles generally accepted in the United States of America require that all controlled subsidiaries be consolidated with Union. If the financial statements of the Foundation had been consolidated with those of the Union as of March 31, 2023, total assets would be increased by \$28,526,904 and total liabilities would be increased by \$480,960. Total revenues would have increased by approximately \$8,762,620 and total expenses would have increased by approximately \$6,309,220 for the year then ended.

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

Responsibilities of Management 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, 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 for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Union's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Other Matter

The financial statements of American Civil Liberties Union of Massachusetts, Inc. as of March 31, 2022, and for the year then ended were audited by other auditors. Those auditors expressed a qualified opinion on those financial statements in their report dated November 28, 2022.

Kahn, Litwin, Renya & Co., Ltd.

October 31, 2023

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2023 and 2022



	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,739,731	\$ 3,720,920
Investments, available for operations	3,707,245	3,918,655
Due from ACLU National	800,849	388,643
Total current assets	6,247,825	8,028,218
Right-of-use Asset - Operating Lease	6,836,072	-
Investments, long-term	8,133,174	5,510,594
Leasehold improvements, net	9,194	-
Total Assets	\$ 21,226,265	\$ 13,538,812
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 140,954	\$ 103,306
Due to ACLU Foundation	47,242	64,308
Current portion of operating lease payable	595,165	-
Total current liabilities	783,361	167,614
Operating lease payable, less current portion	6,660,829	-
Total liabilities	7,444,190	167,614
Net Assets:		
Without donor restrictions	13,702,075	13,371,198
With donor restrictions	80,000	-
Total net assets	13,782,075	13,371,198
Total Liabilities and Net Assets	\$ 21,226,265	\$ 13,538,812

See accompanying notes to the financial statements and independent auditors' report.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended March 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Change in Net Assets:						
Revenue and support:						
Membership fees	\$ 2,712,009	\$ -	\$ 2,712,009	\$ 3,004,858	\$ -	\$ 3,004,858
Contributions	390,099	-	390,099	52,791	-	52,791
Bequests	25,509	-	25,509	171,417	-	171,417
Grants	-	80,000	80,000	-	65,000	65,000
Investment loss, net	(552,286)	-	(552,286)	(25,011)	-	(25,011)
Contributed nonfinancial assets	29,938	-	29,938	142,574	-	142,574
Other income	16,462	-	16,462	-	-	-
Net assets released from restriction	-	-	-	65,000	(65,000)	-
Total revenue and support	2,621,731	80,000	2,701,731	3,411,629	-	3,411,629
Expenses:						
Program services	2,007,625	-	2,007,625	1,679,236	-	1,679,236
Management, general and administrative	283,229	-	283,229	301,451	-	301,451
Total expenses	2,290,854	-	2,290,854	1,980,687	-	1,980,687
Change in Net Assets	330,877	80,000	410,877	1,430,942	-	1,430,942
Net Assets, beginning of year	13,371,198	-	13,371,198	11,940,256	-	11,940,256
Net Assets, end of year	\$ 13,702,075	\$ 80,000	\$ 13,782,075	\$ 13,371,198	\$ -	\$ 13,371,198

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Years Ended March 31, 2023 and 2022

	2023			2022		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Salaries and Benefits						
Salaries	\$ 994,676	\$ 155,616	\$ 1,150,292	\$ 818,453	\$ 173,846	\$ 992,299
Payroll taxes	78,552	12,062	90,614	66,747	14,198	80,945
Employee benefits	244,261	50,251	294,512	240,277	57,461	297,738
Total salaries and related expenses	1,317,489	217,929	1,535,418	1,125,477	245,505	1,370,982
Operating Expenses						
Books, subscriptions	40,011	469	40,480	17,724	196	17,920
Depreciation	753	83	836	6,683	729	7,412
Dues and fees	23,736	5,836	29,572	17,766	3,601	21,367
Equipment lease and maintenance	2,721	264	2,985	600	90	690
Event expenses	29,375	82	29,457	322	349	671
Insurance	4,938	965	5,903	4,246	869	5,115
Miscellaneous	5,030	3,927	8,957	1,000	863	1,863
Occupancy	160,937	18,029	178,966	67,181	14,557	81,738
Office expense and supplies	4,289	429	4,718	1,800	568	2,368
Postage	788	96	884	422	110	532
Printing and publishing	21,242	1,433	22,675	25,774	530	26,304
Professional fees	211,471	26,499	237,970	364,593	29,812	394,405
Support to other non-profits	140,000	-	140,000	20,000	-	20,000
Technology	18,307	2,101	20,408	21,347	2,645	23,992
Telephone	21,029	666	21,695	3,283	616	3,899
Travel and transportation	5,509	4,421	9,930	1,018	411	1,429
Total Expenses	\$ 2,007,625	\$ 283,229	\$ 2,290,854	\$ 1,679,236	\$ 301,451	\$ 1,980,687

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2023 and 2022



	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 410,877	\$ 1,430,942
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	836	7,412
Net loss from investments	787,158	210,841
Amortization of right-of-use asset	530,689	-
Changes in operating assets and liabilities:		
Accounts receivable	(412,206)	-
Due from ACLU National	-	790,577
Prepaid and other current assets	-	65,644
Due to ACLU Foundation	(27,096)	(189,661)
Accounts payable and accrued expenses	37,648	(10,675)
Deferred rent	-	(35,110)
Operating lease payable	(110,767)	-
Net cash provided by operating activities	1,217,139	2,269,970
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	22,624,346	7,914,613
Purchase of investments	(25,822,674)	(8,080,570)
Purchases of leasehold improvements	-	(10,030)
Net cash used by investing activities	(3,198,328)	(175,987)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,981,189)	2,093,983
Cash and Cash Equivalents, beginning of year	3,720,920	1,626,937
Cash and Cash Equivalents, end of year	\$ 1,739,731	\$ 3,720,920

See accompanying notes to the financial statements and independent auditors' report.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

1. Nature of Operations

American Civil Liberties Union of Massachusetts, Inc. (the Union) is a not-for-profit organization 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 and the Foundation together comprise New England's premier civil liberties and law reform organizations. Utilizing impact litigation, policy advocacy, and community organizing, the Union and the Foundation win critical battles for voting rights, democracy, reproductive justice, immigrants' rights, criminal law reform, racial justice, privacy and technology, LGBTQI+ rights and free expression. Notable advocacy over the past year includes blocking book bans in public schools and libraries; defending permits for an LGBTQ Pride festival; representing migrants involuntarily sent to Massachusetts; protecting free speech and public comment during government hearings; securing statewide abortion access legislation in Massachusetts; advancing data privacy bills; promoting police practices reform, and protecting voting rights and democracy.

The accompanying financial statements do not include the accounts and transactions of the Foundation, in which the Union holds a controlling financial interest by virtue of being its sole member. Accounting principles generally accepted in the United States of America require consolidation of entities in which a controlling financial interest is held.

2. Summary of Significant Accounting Policies

This summary of the significant accounting policies of the Union is presented to assist the reader in understanding the Union's financial statements. The financial statements and notes are representations of the Union's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

Accounting Pronouncement Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. The most significant change in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under ASU 2016-02, disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Union adopted the standard effective April 1, 2022, and recognized and measured leases existing at, or entered into after, April 1, 2022 (the beginning of the period of adoption) with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Union recognized on May 10, 2022 an operating lease liability of \$7,366,761, which represents the present value of the remaining operating lease payments of \$7,451,869, discounted using the risk-free rate of 2.76%, and a right-of-use operating lease asset of \$7,366,761. The adoption of ASU 2016-02 did not have a significant impact on the Union's results of operations or cash flows.

Basis of Presentation

The Union prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Union considers all cash balances and highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of certain amounts classified as investments.

Accounts Receivable

The Union carries its accounts receivable at net realizable value. On a periodic basis, the Union evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

A receivable is considered past due if payment has not been received within stated terms. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At March 31, 2023, there was no allowance for doubtful accounts for accounts receivable.

Leasehold Improvements

Leasehold improvements are stated at cost at the time of acquisition or fair 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 expense 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 assets' estimated useful lives.

Leases

The Union leases office space under an operating lease arrangement. Operating leases with lease terms in excess of 12 months are included in operating lease right-of-use (ROU) assets, current portion of operating lease payable, and operating lease payable, less current portion, on the accompanying statement of financial position.

ROU assets represent the Union's right to use an underlying asset for the lease term and lease liabilities represent the Union's obligation to make lease payments arising from the lease.

The Union elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease does not provide an implicit rate, the Union uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Union's lease terms include options to extend or terminate the lease when it is reasonably certain the Union will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Union's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

Investments and Fair Value Measurement

The Union reports its investments at fair value. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Union has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Union's own data.

The Union reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the Union and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date or, in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Realized and unrealized gains or losses are included as a component of investment gain (loss) on the statement of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of securities sold is determined on a specific identification basis.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022



Revenue Recognition

Membership Dues - Membership dues are considered to be contributions since the Union provides no direct benefit to the members. The Union recognizes membership income upon receipt of the dues.

Contributions and Grants - The Union recognizes contribution and grant income in the year in which the contribution or grant is made. Contributions and grant income is recorded either as with or without donor restrictions, depending on the existence and/or nature of any donor/grantor-imposed restrictions. However, it is the policy of the Union to recognize contributions and grants with donor restrictions that are both received and fully expended during the same year as contributions without donor restrictions.

Bequests - Conditional contributions are recognized in the period in which the conditions are met.

Contributed Nonfinancial Assets - The Union records the value of donated legal services at fair value at the date of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased by the Union. Volunteers also provide a variety of program services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under generally accepted accounting principles were not met.

Income Taxes

The Union is exempt from income taxes as a public charity under Section 501(c)(4) of the Internal Revenue Code. Management believes that the Union operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Union annually files IRS Form 990, *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Union currently has no tax examinations in progress.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of job description, and estimates of time and effort. Depreciation and occupancy and all other indirect expenses are allocated on the basis of square footage or time and effort.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022



Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

Management of the Union has evaluated subsequent events through October 31, 2023, which is the date these financial statements were available to be issued.

3. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,739,731	\$ 3,720,920
Investments, available for operations	3,707,245	3,918,655
Due from ACLU National	800,849	388,643
Financial assets available to meet general expenditure needs within one year	\$ 6,247,825	\$ 8,028,218

The Union has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Union's goal is generally to maintain financial assets to meet six months of operating expenses. The investments of the Union are invested for long-term appreciation and current income but may be spent at the discretion of the Board.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022



4. Right-of-Use Asset and Lease Payable

Right-of-Use Asset – Operating Lease

Effective May 2022, the Union leases its facility under a non-cancellable operating lease, expiring November 2032. In connection with the lease, the Union obtained a letter of credit from a financial institution amounting to \$357,129.

At March 31, 2023, the related cost of the right-of-use asset and accumulated amortization were as follows:

Right-of-use asset – operating lease	\$ 7,366,761
Less accumulated amortization	<u>530,689</u>
	<u>\$ 6,836,072</u>

The components of lease expense for the year ended March 31, 2023 are as follows:

Operating lease cost	\$ 165,376
Other costs	<u>5,222</u>
Total lease cost	<u>\$ 170,598</u>

Other information related to the lease for the year ended March 31, 2023 is as follows:

Operating cash flows from operating leases	\$ (276,143)
Weighted Average Remaining Lease Term	10.08 years
Weighted Average Discount Rate	2.76%
ROU Asset obtained in Exchange for Lease Obligation	\$ 7,366,761

Future minimum lease payments under the new lease are follows:

<u>Year Ending</u>	
March 31, 2024	\$ 787,987
March 31, 2025	803,746
March 31, 2026	819,821
March 31, 2027	836,218
March 31, 2028	852,942
Thereafter	<u>4,209,637</u>
Total future minimum lease payments	8,310,351
Less imputed interest	<u>(1,054,357)</u>
Lease payable	<u>\$ 7,255,994</u>

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

5. Investments

The Union's investments are presented in the financial statements at their aggregate fair value and consist of the following:

	2023	2022
Cash and cash equivalents	\$ 750,711	\$ 801,557
Mutual funds:		
International funds	3,016,528	2,090,035
Bond Market funds	3,869,462	3,106,539
Stock Market Funds	4,203,718	3,431,118
	11,089,708	8,627,692
	\$ 11,840,419	\$ 9,429,249

6. Net Assets

The Union's donor-restricted net assets of \$80,000 are restricted for drug decriminalization as of March 31, 2023.

7. Contributed Nonfinancial Assets

The Union actively solicits and receives support from the community and local businesses in the form of contributed goods and services related to its efforts in responding to local needs, fundraising and performing administrative functions.

For the years ended March 31, 2023 and 2022, the Union received donated legal services of \$29,938 and \$142,574, respectively, which was recorded in the statement of activities. The Union records the value of contributed nonfinancial assets at fair value at the date of the donation based on the value determined by the donor.

8. Commitments and Contingencies

Legal 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 will not have a material adverse impact on the financial position of the Union or the results of its activities.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

Collective Bargaining Agreement

The Union has a collective bargaining agreement, which expired June 30, 2023, with certain employees, including two full-time equivalents. The agreement includes provisions including but not limited to vacation accruals, normal working hours, etc. The Union is currently negotiating terms of the new agreement and is currently following the terms of the previous agreement.

9. 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 \$128,159 and \$122,136 for the years ended March 31, 2023 and 2022, respectively and is included with employee benefits on the accompanying statements 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 401(k) 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, 2023 and 2022, the financial statements of the pension plan reflected the fair value of plan assets of \$163,225,695 and \$176,019,163, available for benefit obligations of \$167,771,632 and \$198,372,769 in accumulated plan benefits, respectively. As the liability directly related to the Union is not known, no liability has been recorded in the accompanying financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended March 31, 2023 and 2022

401(k) Plan

The Union participates in the National ACLU's 401(k) 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 Union contributions for the years ended March 31, 2023 and 2022 were \$37,752 and \$34,968, respectively, and are included in employee benefits in the accompanying statements of functional expenses.

10. Related Party Transactions

The Foundation

The Union is affiliated with the Foundation through shared management and administrative costs. The Foundation charged the Union \$1,573,807 and \$1,421,750, respectively, for salaries, benefits and related payroll taxes for the years ended March 31, 2023 and 2022. 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 \$604,162 and \$269,150 for its share of the rent and other occupancy related expense for the years ended March 31, 2023 and 2022, respectively. As of March 31, 2023 and 2022, the Union recorded a payable amounting to \$47,242 and \$64,308, respectively, related to the transactions described above.

The National Union

The Union is an affiliate 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 were \$2,712,009 and \$3,004,858 for the years ended March 31, 2023 and 2022, respectively. Additionally, during the years ended March 31, 2023 and 2022, the National ACLU granted the Union \$80,000 and \$65,000, 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. As of March 31, 2023 and 2022, total amounts due from the National Union include shared revenue of \$395,608 and \$169,208, respectively, and membership fees of \$405,241 and \$219,435, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MASSACHUSETTS, INC.
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11. Concentrations of Risk

Financial instruments that potentially subject the Union to concentrations of credit risk consist principally of cash and cash equivalents and investments.

The Union maintains its cash accounts in one financial institution. The balance at the institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At year-end, the uninsured portion of this balance was approximately \$1,510,000. The Union monitors its exposure with regard to cash and cash equivalents and has not experienced losses on such accounts.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements. The Union has a diversified portfolio for all of its investments and retains an investment advisor to attain a prudent level of diversification in an attempt to minimize potential risk associated with investment securities to the extent possible.