



**American Civil Liberties Union Foundation of Massachusetts
Financial Statements
For the Years Ended
March 31, 2017 and 2016**

American Civil Liberties Union Foundation of Massachusetts

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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 Foundation of Massachusetts
Boston, MA

I have audited the accompanying financial statements of American Civil Liberties Union Foundation of Massachusetts (a nonprofit Foundation), which comprise the statement of financial position as of March 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation of Massachusetts as of March 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Melissa Gilroy'.

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
September 26, 2017

American Civil Liberties Union Foundation of Massachusetts

Statements of Financial Position

As of March 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 866,371	\$ 780,206
Investments	4,667,434	3,856,618
Contributions receivable, net	120,328	-
Due from Union	44,017	163,675
Due from ACLU National	587,328	-
Pledge receivable, net	340,514	335,674
Prepaid expenses and other current assets	77,351	31,997
Total current assets	<u>6,703,343</u>	<u>5,168,170</u>
Non-Current Assets		
Pledge receivables, net of current portion	-	326,085
Security deposits	1,000	12,745
Beneficial interest in trusts - investment	1,056,073	1,005,834
Bill of Rights Trust - investment	1,413,197	1,314,859
Property and equipment, net	146,778	116,039
Total non-current assets	<u>2,617,048</u>	<u>2,775,562</u>
Total Assets	<u>\$ 9,320,391</u>	<u>\$ 7,943,732</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 52,455	\$ 4,944
Accrued expenses	250,851	233,131
Deferred revenue	219,550	49,100
Due to ACLU National	-	917,303
Total Liabilities	<u>522,856</u>	<u>1,204,478</u>
Net Assets		
Unrestricted	6,207,135	4,226,246
Temporarily restricted	1,534,327	1,507,174
Permanently restricted	1,056,073	1,005,834
Total net assets	<u>8,797,535</u>	<u>6,739,254</u>
Total Liabilities and Net Assets	<u>\$ 9,320,391</u>	<u>\$ 7,943,732</u>

American Civil Liberties Union Foundation of Massachusetts

Statement of Activities and Changes in Net Assets

For the years ended March 31, 2017 and March 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	2016
Operating					
Revenue and Support					
Contributions	\$ 3,266,912	45,150	-	3,312,062	\$ 980,444
Special events	443,233	-	-	443,233	362,959
Grants	40,000	60,000	-	100,000	80,000
Interest and dividends	118,365	-	-	118,365	120,926
Bequests	421,180	775,000	-	1,196,180	688,136
Legal awards	40,077	-	-	40,077	138,474
Donated services	110,822	-	-	110,822	73,241
Other income	34,439	-	-	34,439	17,562
Net assets released from restriction	852,997	(852,997)	-	-	-
Total revenue and support	5,328,025	27,153	-	5,355,178	2,461,742
Expenses					
Program services	2,675,175	-	-	2,675,175	2,521,252
Management, general and administrative	430,421	-	-	430,421	359,829
Fundraising	729,352	-	-	729,352	557,781
Total expenses	3,834,948	-	-	3,834,948	3,438,862
Changes in net assets from operations	1,493,077	27,153	-	1,520,230	(977,120)
Non-operating					
Net unrealized gains / (losses)	489,803	-	-	489,803	(250,957)
Net realized gains / (losses)	(1,991)	-	-	(1,991)	(78,028)
Change in carrying value of beneficial interest in trust	-	-	50,239	50,239	(59,487)
Total	487,812	-	50,239	538,051	(388,472)
Changes in Net Assets	1,980,889	27,153	50,239	2,058,281	(1,365,592)
Net Assets at Beginning of Year	4,226,246	1,507,174	1,005,834	6,739,254	8,104,846
Net Assets at End of Year	\$ 6,207,135	1,534,327	1,056,073	8,797,535	\$ 6,739,254

American Civil Liberties Union Foundation of Massachusetts

Statement of Activities and Changes in Net Assets

For the year ended March 31, 2016 and March 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	2015
Operating					
Revenue and Support					
Contributions	\$ 980,444	-	-	980,444	\$ 840,419
Special events	362,959	-	-	362,959	437,750
Grants	5,000	75,000	-	80,000	80,250
Interest and dividends	120,926	-	-	120,926	146,719
Bequests	283,136	405,000	-	688,136	1,185,930
Legal awards	138,474	-	-	138,474	33,317
Donated services	73,241	-	-	73,241	105,809
Other income	17,562	-	-	17,562	10,174
Net assets released from restriction	696,232	(696,232)	-	-	
Total revenue and support	2,677,974	(216,232)	-	2,461,742	2,840,368
Expenses					
Program services	2,521,252	-	-	2,521,252	2,245,568
Management, general and administrative	359,829	-	-	359,829	409,990
Fundraising	557,781	-	-	557,781	573,350
Total expenses	3,438,862	-	-	3,438,862	3,228,908
Changes in net assets from operations	(760,888)	(216,232)	-	(977,120)	(388,540)
Non-operating					
Net unrealized gains / (losses)	(250,957)	-	-	(250,957)	237,666
Net realized gains / (losses)	(78,028)	-	-	(78,028)	12,400
Change in carrying value of beneficial interest in trust	-	-	(59,487)	(59,487)	34,234
Total	(328,985)	-	(59,487)	(388,472)	284,300
Changes in Net Assets	(1,089,873)	(216,232)	(59,487)	(1,365,592)	(104,240)
Net Assets at Beginning of Year	5,316,119	1,723,406	1,065,321	8,104,846	8,209,086
Net Assets at End of Year	\$ 4,226,246	1,507,174	1,005,834	6,739,254	\$ 8,104,846

American Civil Liberties Union Foundation of Massachusetts

Statement of Functional Expenses

For the year ended March 31, 2017

	Program			Support		2017 Total
	Program	Management and General	Fundraising	Program	Support	
Salaries	\$ 1,609,143	274,640	306,179	\$		2,189,962
Employee benefits	369,105	66,729	133,589			569,423
Payroll taxes	108,723	18,546	20,952			148,221
Subtotal	2,086,971	359,915	460,720			2,907,606
Occupancy	167,396	24,615	30,034			222,045
Professional fees	167,441	27,264	16,004			210,709
Event expense	15,304	1,043	136,037			152,384
Printing and publishing	33,069	184	25,996			59,249
Technology	60,313	5,498	19,789			85,600
Dues and fees	9,306	2,217	19,141			30,664
Travel	12,624	1,243	5,123			18,990
Books, subscriptions	30,702	1,653	2,189			34,544
Postage	10,794	309	3,618			14,721
Depreciation	32,812	2,041	2,542			37,395
Insurance	20,577	1,390	1,836			23,803
Telephone	8,999	1,740	931			11,670
Office expenses and supplies	11,470	726	2,226			14,422
Equipment lease and maintenance	4,505	583	729			5,817
Miscellaneous	2,892	-	2,437			5,329
Total Functional Expenses	\$ 2,675,175	430,421	729,352	\$		3,834,948

American Civil Liberties Union Foundation of Massachusetts

Statement of Functional Expenses

For the year ended March 31, 2016

	Program			Support	
	Program	Management and General	Fundraising	2016 Total	
Salaries	\$ 1,504,825	221,273	257,748	\$	1,983,846
Employee benefits	330,912	53,368	71,351		455,631
Payroll taxes	105,383	15,513	17,717		138,613
Subtotal	1,941,120	290,154	346,816		2,578,090
Occupancy	167,017	21,745	28,065		216,827
Professional fees	125,978	24,970	27,542		178,490
Event expense	30,131	1,541	101,775		133,447
Printing and publishing	29,127	264	10,276		39,667
Technology	55,986	5,495	12,618		74,099
Dues and fees	18,938	3,900	8,844		31,682
Travel	38,904	2,026	4,044		44,974
Books, subscriptions	31,252	1,646	605		33,503
Postage	7,364	331	7,692		15,387
Depreciation	29,078	2,143	2,367		33,588
Insurance	18,387	1,121	1,513		21,021
Telephone	9,022	1,449	1,097		11,568
Office expenses and supplies	8,706	1,906	1,570		12,182
Equipment lease and maintenance	5,449	967	956		7,372
Miscellaneous	4,793	171	2,001		6,965
Total Functional Expenses	\$ 2,521,252	359,829	557,781	\$	3,438,862

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

American Civil Liberties Union Foundation of Massachusetts

Statements of Cash Flows

For the years ended March 31, 2017 and 2016

Cash Flows from Operating Activities	2017	2016
Changes in Net Assets	\$ 2,058,281	\$ (1,365,592)
Adjustments to reconcile change in net assets to cash provided by operations		
Depreciation	37,395	33,588
Net unrealized (gains) / losses on investments	(489,803)	250,957
Net realized (gains) / losses on investments	1,991	78,028
Change in carrying value of beneficial interest in trust	(50,239)	59,487
Interest and dividends	(118,365)	(120,926)
Increase (decrease) in cash resulting from a change in:		
Contribution receivable	(120,328)	-
Pledge receivable	321,245	311,500
Due from Union	119,658	76,928
Due from National	(587,328)	-
Prepaid expenses and other current assets	(45,354)	745
Security deposits	11,745	-
Accounts payable	47,511	(25,109)
Accrued expenses	17,720	42,059
Due to ACLU National	(917,303)	31,146
Deferred revenue	170,450	(15,274)
Net Cash Provided by / (Used in) Operating Activities	457,276	(642,463)
Cash Flows from Investing Activities		
Purchase of investments	(4,801,680)	(2,590,684)
Proceeds from the sale of investments	4,498,703	3,269,811
Purchases of property and equipment	(68,134)	(77,900)
Net Cash Provided by / (Used in) Investing Activities	(371,111)	601,227
Net (Decrease) Increase in Cash and Cash Equivalents	86,165	(41,236)
Cash and Cash Equivalents - Beginning	780,206	821,442
Cash and Cash Equivalents - Ending	\$ 866,371	\$ 780,206

American Civil Liberties Union Foundation of Massachusetts

Notes to Financial Statements

1. Nature of the Business

American Civil Liberties Union Foundation of Massachusetts (the “Foundation”) is a non-profit Foundation whose mission is to defend freedoms guaranteed in the United States Constitution and Bill of Rights. The Foundation is affiliated with the American Civil Liberties Union Foundation, Inc. (the “National Foundation”), the American Civil Liberties Union, Inc. (the “National Union”) and the American Civil Liberties Union of Massachusetts, Inc. (the “Union”).

The Foundation is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from state income taxes under the general laws of Massachusetts.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in three categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Foundation’s ongoing efforts. The net assets of the Foundation are classified and defined as follows:

Unrestricted

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Temporarily Restricted

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Temporarily restricted contributions whose restrictions are met within the same reporting period are reported as unrestricted.

Permanently Restricted

Permanently restricted net assets are those subject to a donor-imposed restriction which requires the corpus to be invested in perpetuity to produce returns for general or specific purposes. Generally, donors of these assets permit the Foundation to use part or all of the income earned on related investments for general or specific purposes.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”) which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less, when acquired, to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost at the time of acquisition or fair market value at the time of donation. Donated assets are considered unrestricted support unless the donor has restricted the donated asset for a specific purpose. Expenditures for maintenance and repairs are charged to expenses as incurred; major renewals, additions and betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to operations. Depreciation is recorded on a straight-line basis over the respective asset's estimated useful lives.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of any asset may not be recoverable and, if so, the carrying value is reduced to the estimated fair value.

Beneficial Interests

The Foundation is at times named a beneficiary under the terms of various wills and trusts agreements, the total realizable amounts of which may not be determinable. The Foundation's share of such interests is recorded when the proceeds are measurable.

The Foundation was named beneficiary of a perpetual trust ("the trust") held by third-party trustees with a determinable value. Accordingly, the Foundation has recorded the value of the trust in the accompanying financial statements. The trust has been recorded at fair value in the statement of financial position. Due to the inactive market and unobservable inputs related to the trust, it is considered to be Level 3 in the fair value measurement hierarchy.

As stipulated by the donor, the principal balance of the trust plus any gains and losses is restricted in perpetuity. As such, the balance of the trust as of March 31, 2017 and 2016 has been classified as a permanently restricted net asset in the accompanying financial statement.

The Foundation receives quarterly distributions of interest and dividends which are considered unrestricted net assets according to the donor's stipulations.

Bill of Rights Trust

The Bill of Rights Trust represents the Foundation's unit holdings in the National Endowment held by the National Foundation. The National Endowment's underlying investments are comprised of cash and cash equivalents and publicly traded securities. Due to the inactive market and unobservable inputs available, the Foundation's shares in the Bill of Rights Trust is considered a Level 3 input on the fair value measurement hierarchy.

American Civil Liberties Union Foundation of Massachusetts

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investments

The Foundation values its investments at fair value in the statement of financial position. The statement of activities includes net investment income including, unrealized gains or losses, interest and dividend income. Realized gains and losses are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

Fair Value Measurements

In accordance with GAAP, assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to this guidance, level inputs are defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability either directly or indirectly, including inputs in markets that are considered active.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

Deferred Revenue

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

Donated Services

Donated services are recorded at the estimated fair value of the services provided to the Foundation. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. Donated services consisting of primarily donated legal services amounted to \$110,822 and \$73,240 for the years ended March 31, 2017 and 2016, respectively.

A number of unpaid volunteers have made significant contributions of their time to the Foundation. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were not material and are included with printing and publishing expense in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various program and support services of the Foundation have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated between program and supporting services on a reasonable basis by management.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues in the year received in accordance with the donor requirements. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported on the statement of activities as net assets released from restriction. As of March 31, 2017, contribution receivables consists of amounts donated prior to year-end not deposited until subsequent to year-end as such, there is no allowance for doubtful accounts required.

Pledge receivables are recorded at the present value of expected future cash flows, net of an allowance for estimated unfulfilled promises to give. The discount on these amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of noncash assets are recorded at fair market value upon the date of receipt. Bequests are recorded when received. In fiscal 2016, a bequest from two donors represented 59% of total bequest revenue recorded. During fiscal 2017, a bequest from one donor represented 54% of total bequest revenue recorded.

Special event revenue is recorded when pledged or when the event occurs.

The Foundation may receive attorney's fees awarded by the court as a result of the settlement of certain types of litigation. Because the awards are not determinable until the resolution of the litigation, such amounts are not recorded until received. This may be several years after the litigation commences.

Income Taxes

The Foundation is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and State income taxes except for income earned on unrelated business income. The Foundation has determined that it has not earned any unrelated business income as of March 31, 2017 and 2016 and therefore has not recorded a provision for tax expense.

The Foundation accounts for the effects for any uncertain tax positions based on a "more likely than not" threshold for recognition of tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. The Foundation has determined that there are no material unrecognized tax effects as of March 31, 2017 and 2016.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

American Civil Liberties Union Foundation of Massachusetts

Notes to the Financial Statements

3. Related Party Transactions

The Union

The Foundation is affiliated with the Union through shared management, administrative costs and rental space. The total amounts due from the Union to the Foundation were \$44,017 and \$163,675 for the years ended March 31, 2017 and 2016, respectively. The Foundation charged the Union \$244,494 and \$282,901 respectively, for the shared costs that include salaries, benefits and related payroll taxes for the years ended March 31, 2017 and 2016. Additionally, the Union charged the Foundation for its pro rata share of the rent for shared facility costs amounting to \$188,064 and \$178,910 which is included in occupancy expenses in these financial statements.

The National Foundation

The Foundation is an affiliated chapter of the National Foundation. In accordance with the affiliation agreement, the Foundation receives its share of certain contributions and bequests as defined in that agreement. As of March 31, 2017 and 2016, amounts due from Foundation to the National Foundation for shared revenue in accordance with the Affiliate agreement were zero and \$917,303, respectively. As of March 31, 2017 and 2016, amounts due to the Foundation from the National Foundation for shared revenue in accordance with the Affiliate agreement were \$587,328 and zero, respectively.

Donations

During the fiscal years ended 2017 and 2016, related parties of the Foundation donated approximately \$446,000 and \$421,600, respectively.

4. Fair Value Measurements

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in GAAP. The three valuation techniques are as follows: a) market approach – prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities; b) cost approach – amounts that would be required to replace the service capacity of an asset (i.e., replacement cost); and c) income approach – techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at March 31, 2016. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value measurements. Further, the Foundation believes its valuation techniques are appropriate and consistent with those of other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value as of the reporting date.

Common stocks – Valued at the closing price reported as of March 31, 2017 and 2016 on the active market on which the individual securities are traded.

Mutual funds and money market accounts – Valued at the net asset value (NAV) of shares held as of March 31, 2017 and 2016.

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

4. Fair Value Measurements (continued)

Beneficial interest in perpetual trust - Valued at closing valuation price reported by the Trustee at March 31, 2017 and 2016. The fair value of these assets is based on the underlying investments held by the trust which consists of publicly traded money market funds, fixed income mutual funds, and various common stock securities.

Bill of Rights Trust –Valued at the Foundation’s unit share of the closing valuation price reported by the National ACLU at March 31, 2017 and 2016.

Fair Value Measurements as of March 31, 2017:

Type	As of March 31, 2017			
	Level I	Level II	Level III	Total
Money market funds	\$1,203,109	\$ -	\$ -	\$1,203,109
Mutual funds:				
Real estate fund	204,128			204,128
International fund	873,181			873,181
Emerging market fund	223,868			223,868
Extended market fund	211,427			211,427
Growth fund	885,865			885,865
Pacific fund	439,585			439,585
Value index fund	626,271			626,271
Total mutual funds	3,464,325	-	-	3,464,325
Total Investments	4,667,434	-	-	4,667,434
Bill of Rights Trust	-	-	1,413,197	1,413,197
Beneficial interest in perpetual trust	-	-	1,056,073	1,056,073
Total Fair Value Measurements	\$4,667,434	\$ -	\$ 2,469,270	\$7,136,704

The following table presents information about the Foundation’s fair value measurements using Level 3 inputs, and changes therein, for the years ended March 31, 2017 and 2016:

	Bill of Rights Trust	Beneficial Interest in Trust	Total
Balance as of March 31, 2015	\$1,452,462	\$1,065,321	2,517,783
Net investment gains (losses)	(112,773)	(59,487)	(172,260)
Distributions	(57,158)	-	(57,158)
Interest and dividends	32,328	-	32,328
Balance as of March 31, 2016	\$1,314,859	\$1,005,834	\$ 2,320,693
Net investment gains (losses)	124,409	50,239	174,648
Distributions	(59,922)	-	(59,922)
Interest and dividends	33,851	-	33,851
Balance as of March 31, 2017	\$1,413,197	\$1,056,073	\$ 2,469,270

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

4. Fair Value Measurements (continued)

Fair Value Measurements as of March 31, 2016:

Type	As of March 31, 2016			Total
	Level I	Level II	Level III	
Money market fund	\$ 649,169	\$ -	\$ -	\$ 649,169
Mutual funds:				
Real estate fund	212,365			212,365
International fund	781,578			781,578
Emerging market fund	211,271			211,271
Extended market fund	198,335			198,335
Growth fund	802,518			802,518
Pacific fund	392,082			392,082
Value index fund	609,300			609,300
Total mutual funds	3,207,449	-	-	3,207,449
Total Investments	3,856,618	-	-	3,856,618
Bill of Rights Trust	-	-	1,314,859	1,314,859
Beneficial interest in perpetual trust	-	-	1,005,834	1,005,834
Total Fair Value Measurements	\$3,856,618	\$ -	\$ 2,320,693	\$6,177,311

5. Retirement Plans

Pension Plan

The Foundation participates in a non-contributory defined benefit plan, the “American Civil Liberties Union Retirement Plan”, through the National Union’s multiemployer plan. The plan covers all employees hired before April 1, 2009 who satisfied minimum age and service requirements. Benefits are paid to eligible employees at retirement based on years of service and average career compensation.

The total pension expense is allocated to the Foundation based on the number of participating employees. Pension expense amounted to \$128,085 and \$111,969 for the years ended March 31, 2017 and 2016, respectively and is included with employee benefits on the accompanying statement of functional expenses.

As of April 1, 2009, the National Union instituted a “soft freeze” on the plan. Employees hired on or after April 1, 2009 are enrolled in the National Union’s 401k plan.

American Civil Liberties Union Foundation of Massachusetts

Notes to the Financial Statements

5. Retirement Plans (continued)

Pension Plan - continued

The National Union's defined benefit plan is currently underfunded according to actuarial projections. A portion of the National Union's unfunded liability is for the employees of the Foundation. Accumulated plan benefits information as provided by consulting actuaries, has not been distinguished from the benefits of this affiliated organization that is participating in the pension plan and accordingly, such information is not presented herein. As of March 31, 2017 and 2016, the financial statements of the pension plan reflected the fair value of plan assets of \$98,668,960 and \$87,854,658 available for benefit obligations of \$135,453,128 and \$142,103,875 in accumulated plan benefits, respectively. As the amount of liabilities directly related to the Foundation is unknown, no amount has been recorded.

401k Plan

The Foundation participates in the National Union's 401k plan which covers substantially all of its employees who meet certain eligibility requirements. Under the plan employees may voluntarily contribute pre-tax compensation subject to IRS regulations related to dollar limits. The Foundation will match 100% of the first 1% of employee contributions plus 50% of the next 5% of employee contributions. Additionally, the Foundation contributes 2% of employee wages for the benefit of each employee each pay period. The Foundation's employer contributions vest after two years of employment. Total contributions for the years ended March 31, 2017 and 2016 were \$52,714 and \$49,509, respectively, and are included with employee benefits on the accompanying statement of functional expenses.

6. Property and Equipment

Property and equipment as of March 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>Useful lives</u>
Computer equipment	\$ 235,811	\$ 174,447	5 years
Leasehold improvements	14,963	14,963	Term of lease
Office equipment	45,045	38,275	5 - 7 years
Furniture and fixtures	34,920	34,920	7 years
Less - accumulated depreciation	<u>(183,961)</u>	<u>(146,566)</u>	
	<u>\$ 146,778</u>	<u>\$ 116,039</u>	

7. Pledge Receivables

Pledge receivables are recorded as support when pledged unless designated otherwise. Management deemed all pledges collectible; accordingly no allowance for doubtful accounts has been established for uncollectible pledges. Additionally, all pledges are valued at their estimated realizable value at March 31, 2017, discounted at less than 1%. The pledge receivables are due from two donors amounting to approximately 95% of total pledge receivables as of March 31, 2017 and 2016.

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

8. Temporary restricted net assets

The Foundation's temporarily restricted net assets consist of time restricted pledge receivables. As of the March 31, 2017 and 2016, temporary net assets were as follows:

Description	As of 03/31/2016	Released from restriction	Additions	As of 03/31/2017
Pledge receivable - time and purpose restrictions	\$ 808,407	(331,000)	-	\$ 477,407
Purpose restrictions	698,767	(521,997)	880,150	1,056,920
	<u>\$ 1,507,174</u>	<u>\$ (852,997)</u>	<u>\$ 880,150</u>	<u>\$ 1,534,327</u>

9. Bill of Rights Trust Endowment

In 1997, the National Foundation established the Bill of Rights Trust (the "Trust"). The purpose of the Trust, a portion of which is an endowment fund of the Foundation, is to build an enduring endowment to carry out the work of the National Foundation and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States of America. The Trust has 100,000,000 authorized units, which are issued to or among the Foundation and Affiliate Foundations based upon their respective interests in the Trust. Unit shares held by the affiliates have a unit value based upon the fair value of the net assets of the Trust divided by the total number of unit shares outstanding. The Trust provides for annual distributions to the Foundation and Affiliate Foundations in accordance with the Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share. The Foundation owns 101,298 unit shares in the Trust with a cost basis of \$383,354 and \$439,926 as of March 31, 2017 and 2016, respectively. The investment goals of the Trust are to invest assets in a prudent manner that will produce a reasonable distribution to the National Foundation and affiliated foundations and provide long-term growth in value of these assets in the Trust.

The Foundation's unit shares in the Trust are considered unrestricted, however, the Foundation's share of this investment is subject to certain withdrawal limitations as disclosed in the Trust agreement. Under the National spending policy, the Foundation receives a distribution equal to 4% of the three-year average unit value of the fair value of investments at the beginning of each of the preceding fiscal years. Distributions are typically in the form of cash or additional unit shares of the fund. As of March 31, 2017 and 2016, distributions to the Foundation from the National Foundation amounted to \$56,332 and \$57,158, respectively.

10. Lease Commitments

The Foundation has an equipment lease which expires in December 2016. Monthly payments under the lease are \$162.

11. Line of Credit

The Foundation has a \$500,000 line of credit that bears interest at the bank's lending rate with a minimum rate of 4.5%. The bank's lending rate was less than the minimum rate for both fiscal 2016 and 2017. As of March 31, 2017 and 2016, there were no outstanding amounts due on the line. The line is secured by certain assets of the Foundation. The Foundation is subject to certain covenants and was in compliance with those covenants as of March 31, 2017 and 2016.

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12. Concentration of Credit Risk

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

13. Contingencies

The Foundation is involved in legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the financial position of the Foundation or the results of its activities.

14. Reorganization

The governance structure of the Foundation was reorganized during fiscal 2015. As part of this reorganization, the declaration of trust of the Foundation was amended to appoint the ACLU Foundation of Massachusetts Inc. (the "Corporation"), which was incorporated on March 19, 2015 and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as the sole trustee of the Foundation. Contemporaneously with this amendment, the twelve individuals who formerly served as trustees of the Foundation resigned their position as trustees and were simultaneously appointed as directors of the Corporation. As a result of this reorganization, the affairs of the Foundation are managed by the Corporation, acting through its board of directors. As of the year-ended March 31, 2017, the Corporation held no assets and no assets of the Foundation were transferred to the Corporation. Substantially all of the Foundation's assets and liabilities were transferred to the Corporation as of April 1, 2017. The board of directors of the Corporation expect that substantially all of the activities formerly conducted by the Foundation will be conducted by the Corporation from and after April 1, 2017 and that the Foundation will ultimately be dissolved.

15. Subsequent Events

The Foundation has evaluated subsequent events through September 26, 2017, which is the date financial statements were available to be issued and determined that no events met the criteria for recognition or disclosure in the financial statements.