

McGladrey & Pullen

Certified Public Accountants

**American Civil Liberties Union, Inc. and
Consolidated Entities**

Consolidated Financial Statements

March 31, 2009

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
American Civil Liberties Union, Inc.
New York, New York

We have audited the accompanying consolidated statement of financial position of American Civil Liberties Union, Inc. (the "Union") and consolidated entities (collectively, the "American Civil Liberties Union" or the "ACLU") as of March 31, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the ACLU's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union, Inc. and consolidated entities as of March 31, 2009, and the changes in their net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16 to the consolidated financial statements, the unaudited net assets as of March 31, 2008 were restated to reflect the consolidation of the Union, American Civil Liberties Union Foundation, Inc. and 915 15th Street LLC and correct certain other accounting errors.

Our 2009 audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The 2009 consolidating statements of financial position and activities are presented for purposes of additional analysis of the basic consolidated financial statements rather than present the financial position, changes in net assets and cash flows of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

We were not engaged to audit, review or compile the accompanying 2008 consolidated summarized comparative information and, accordingly, we do not express an opinion or any other form of assurance on them.

McGladrey & Pullen, LLP

New York, New York
February 8, 2010

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidated Statement of Financial Position
March 31, 2009 and 2008

	<u>2009</u>	<u>2008 - Unaudited</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 25,920,968	\$ 37,215,324
Pledges and contributions receivable	14,886,168	15,895,966
Investments in marketable securities	182,705,336	246,898,414
Other assets	1,652,791	2,065,071
Due from affiliates	5,795,687	5,049,068
Beneficial interest in trusts	275,881	562,070
Office buildings and furniture and equipment, net of accumulated depreciation	37,273,451	35,326,408
Assets limited or restricted as to use	172,472	1,238,480
Total assets	<u>\$ 268,682,754</u>	<u>\$ 344,250,801</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,786,576	\$ 4,306,421
Liabilities under split-interest agreements	11,417,458	12,406,455
IDA bond	18,705,000	19,100,000
Mortgage payable	4,039,936	4,098,589
Bill of Rights Trust Held for Affiliates	14,282,358	19,109,737
Accrued pension liability	27,059,063	10,885,861
Due to affiliates	6,116,209	4,557,535
Total liabilities	<u>84,406,600</u>	<u>74,464,598</u>
Commitments and contingency		
Net Assets:		
Unrestricted:		
Bill of Rights Trust	(1,842,937)	12,234,202
Board designated	80,112,612	124,009,401
Undesignated	11,555,137	45,667,231
Total unrestricted	<u>89,824,812</u>	<u>181,910,834</u>
Temporarily restricted	56,026,410	49,771,819
Permanently restricted - Bill of Rights Trust	38,424,932	38,103,550
Total net assets	<u>184,276,154</u>	<u>269,786,203</u>
Total liabilities and net assets	<u>\$ 268,682,754</u>	<u>\$ 344,250,801</u>

See notes to consolidated financial statements

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidated Statement of Activities
Year Ended March 31, 2009
(with unaudited summarized comparative information for the year ended March 31, 2008)

	2009			Total	2008 - Unaudited Summarized Information
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Support:					
Current member contributions	\$ 22,759,052	\$ -	\$ -	\$ 22,759,052	\$ 24,235,195
New member contributions	3,859,862	-	-	3,859,862	3,740,608
Grants and contributions	18,441,880	38,495,950	321,382	57,259,212	72,198,239
Bequest	8,406,248	94,874	-	8,501,122	7,947,254
Total support	53,467,042	38,590,824	321,382	92,379,248	108,121,296
Revenue:					
List rentals	121,778	-	-	121,778	68,564
Rent income	1,045,474	-	-	1,045,474	-
Pamphlet and book sales	14,354	-	-	14,354	36,805
Other income	38,152	54,196	-	92,348	32,113
Total revenue	1,219,758	54,196	-	1,273,954	137,482
Net assets released from restrictions	30,144,712	(30,144,712)	-	-	-
Total support and revenue	84,831,512	8,500,308	321,382	93,653,202	108,258,778
Expenses:					
Program services:					
Legislative	2,105,761	-	-	2,105,761	4,190,924
Legal	28,438,997	-	-	28,438,997	25,132,628
Public education	28,979,092	-	-	28,979,092	25,887,855
Civil liberties policy formulation	1,663,128	-	-	1,663,128	1,630,952
Affiliate support	16,928,649	-	-	16,928,649	16,826,086
Total program services	78,115,627	-	-	78,115,627	73,668,445
Supporting services:					
Management and general	7,816,530	-	-	7,816,530	6,949,955
Fund-raising	13,226,412	-	-	13,226,412	10,904,299
Total supporting services	21,042,942	-	-	21,042,942	17,854,254
Total expenses	99,158,569	-	-	99,158,569	91,522,699
Change in net assets before other changes	(14,327,057)	8,500,308	321,382	(5,505,367)	16,736,079
Other changes in net assets:					
Legal expenses awarded, net	1,805,989	-	-	1,805,989	2,201,242
Net investment income, gains and losses	(64,080,464)	(2,027,228)	-	(66,107,692)	(4,040,134)
Change in value of split-interest agreements	(206,496)	(218,489)	-	(424,985)	(3,217,803)
Minimum pension liability adjustment	(15,277,994)	-	-	(15,277,994)	729,947
Effect of adoption of recognition of provision of SFAS 158	-	-	-	-	(8,332,807)
Total other changes in net assets	(77,758,965)	(2,245,717)	-	(80,004,682)	(12,659,555)
Changes in net assets	(92,086,022)	6,254,591	321,382	(85,510,049)	4,076,524
Net assets at beginning of year, as previously stated	154,271,288	81,539,327	38,103,550	273,914,165	265,709,679
Adjustment to accrued pension liability	(4,127,962)	-	-	(4,127,962)	-
Reclassifications	31,767,508	(31,767,508)	-	-	-
Net assets at beginning of year, as restated	181,910,834	49,771,819	38,103,550	269,786,203	265,709,679
Net assets at end of year	\$ 89,824,812	\$ 56,026,410	\$ 38,424,932	\$ 184,276,154	\$ 269,786,203

See notes to consolidated financial statements

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidated Statement of Functional Expenses
Year Ended March 31, 2009
(with unaudited summarized comparative information for the year ended March 31, 2008)

	2009										2008
	Legislation	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total Program Services	Management and General	Fund-raising	Total Supporting Services	Total	Unaudited Summarized Comparative Information
Salaries	\$ 1,112,627	\$ 15,933,220	\$ 6,319,302	\$ 766,580	\$ 1,219,716	\$ 25,351,445	\$ 2,271,417	\$ 1,892,744	\$ 4,164,161	\$ 29,515,606	\$ 26,362,454
Employee benefits	424,147	3,493,889	1,746,024	247,571	387,293	6,298,924	903,413	912,508	1,815,921	8,114,845	6,933,976
Rent and occupancy	-	999,766	472,200	-	117,312	1,589,278	670,708	144,365	815,073	2,404,351	2,112,841
Books	30,531	178,645	168,262	1,057	11,570	390,065	13,267	26,113	39,380	429,445	460,195
Building depreciation	-	1,446,182	445,835	-	110,708	2,002,725	182,973	136,316	319,289	2,322,014	2,285,888
Equipment depreciation	-	152,313	46,958	-	11,659	210,930	19,271	14,357	33,628	244,558	139,597
Equipment rental and maintenance	14,507	95,401	45,370	20,731	8,126	184,135	163,997	-	163,997	348,132	347,251
Grants to affiliates	-	1,472,712	3,732,155	-	692,300	5,897,167	7,789	-	7,789	5,904,956	5,474,466
Meetings/conferences	13,762	190,869	498,142	128,046	464,070	1,294,889	43,828	38,374	82,202	1,377,091	2,228,789
Other expenses	99,594	932,183	1,215,871	89,818	92,095	2,429,561	1,720,891	1,260,121	2,981,012	5,410,573	2,558,344
Legal fees	-	126,642	118,974	-	16,946	262,562	41,278	36,850	78,128	340,690	307,600
Public information	-	-	136,974	-	-	136,974	-	99,974	99,974	236,948	193,226
Accounting fees	-	-	-	-	-	-	187,500	-	187,500	187,500	162,000
Professional fund-raising services	-	-	-	-	-	-	76,004	489,507	565,511	565,511	530,800
Other professional services	267,658	1,185,549	6,851,921	199,168	383,567	8,887,863	879,694	3,972,751	4,852,445	13,740,308	13,409,027
Interest expense	-	547,286	168,720	-	41,896	757,902	69,243	51,587	120,830	878,732	1,002,921
Postage and supplies	12,150	199,019	2,436,648	22,334	30,198	2,700,349	125,305	1,656,592	1,781,897	4,482,246	4,493,933
Publishing, printing and mailing	17,407	78,755	2,200,586	127	10,519	2,307,394	20,662	1,172,123	1,192,785	3,500,179	3,326,547
Special affiliate subsidies	-	-	-	-	4,152,278	4,152,278	-	-	-	4,152,278	4,170,128
Shared portion of members contribution	-	-	-	-	8,894,201	8,894,201	-	-	-	8,894,201	8,912,657
Grants and awards	40,146	-	-	-	112,000	152,146	-	-	-	152,146	164,838
Telephone	52,638	227,589	1,904,307	34,712	30,332	2,249,578	211,858	1,116,283	1,328,141	3,577,719	2,734,906
Travel	20,594	1,178,977	470,843	152,984	141,863	1,965,261	207,432	205,847	413,279	2,378,540	3,210,315
Total	\$ 2,105,761	\$ 28,438,997	\$ 28,979,092	\$ 1,663,128	\$ 16,928,649	\$ 78,115,627	\$ 7,816,530	\$ 13,226,412	\$ 21,042,942	\$ 99,158,569	\$ 91,522,699

See notes to consolidated financial statements

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidated Statement of Cash Flows
Year Ended March 31, 2009
(with unaudited comparative information for the year ended March 31, 2008)

	<u>2009</u>	<u>2008 - Unaudited</u>
Cash flows from operating activities:		
Changes in net assets	\$ (85,510,049)	\$ 4,076,524
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,566,572	2,425,485
Discount on pledges receivable	(637,072)	1,509,956
Change in value of split-interest agreements	138,796	3,019,176
Net realized and unrealized loss on investments, net of adjustment for affiliate holdings	73,699,052	15,750,625
Contributions restricted for endowment	(321,382)	(161,330)
Contributions restricted for investments subject to split-interest agreements	(418,961)	(2,354,116)
Changes in operating assets and liabilities:		
Due to/from affiliates	812,055	(2,719,197)
Pledges and contributions receivable	1,646,870	(15,736,262)
Other assets	412,280	(416,095)
Beneficial interest in trusts	286,189	(207,752)
Accounts payable and accrued expenses	(1,519,845)	313,944
Accrued pension liability	16,173,202	9,443,019
Net change in Bill of Rights Trust held for affiliates	(4,827,379)	1,807,436
Net cash provided by operating activities	<u>2,500,328</u>	<u>16,751,413</u>
Cash flows from investing activities:		
Proceeds from sale of marketable securities	33,548,822	45,916,585
Purchase of marketable securities	(43,054,796)	(56,125,717)
Assets restricted as to use	1,066,008	-
Purchase of office buildings and equipment	(4,513,615)	(4,799,207)
Net cash used in investing activities	<u>(12,953,581)</u>	<u>(15,008,339)</u>
Cash flows from financing activities:		
Contributions restricted for:		
Investment in endowment	321,382	161,330
Investment subject to split-interest agreements	418,961	2,354,116
Payments on split-interest agreements	(1,632,993)	(1,316,000)
Terminated split-interest agreements	505,200	-
Mortgage payments	(58,653)	(51,710)
Principal payments on IDA bond	(395,000)	(380,000)
Net cash (used in) provided by financing activities	<u>(841,103)</u>	<u>767,736</u>
Net (decrease) increase in cash and cash equivalents	(11,294,356)	2,510,810
Cash and cash equivalents, beginning of year	37,215,324	34,704,514
Cash and cash equivalents, end of year	<u>\$ 25,920,968</u>	<u>\$ 37,215,324</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 878,732</u>	<u>\$ 1,002,921</u>

See notes to consolidated financial statements

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Note 1 – Organization:

The American Civil Liberties Union, Inc. (the “Union”) and American Civil Liberties Union Foundation, Inc. (the “Foundation”), collectively the “American Civil Liberties Union” or the “ACLU”, were established as nonprofit corporations to preserve and promote individual civil rights and civil liberties as guaranteed by the United States Constitution. The Union is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code, and the Foundation is exempt from Federal income tax under Section 501(c)(3).

The ACLU is affiliated with fifty nonprofit, tax-exempt organizations in several states in the United States, all of which include reference to the “American Civil Liberties Union” or some variation thereof in their names (the “affiliates”). Each affiliate also operates through related Section 501(c)(3) and Section 501(c)(4) organizations. The affiliates share the same overall mission and purpose as the ACLU but their programs focus more on local or regional issues, while the ACLU’s program activities are focused on over-arching civil liberties issues and initiatives. Although the ACLU plays no direct role in the governance of, and does not share employees with, the affiliates, the organizations jointly fundraise and work together on certain programs, and the ACLU, through either the Union or Foundation, as appropriate, in its sole discretion provides targeted financial and other support to the affiliates.

Note 2 – Summary of significant accounting policies:

Basis of presentation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Union, the Foundation, and 915 15th Street LLC (the “LLC”). Certain members of the board of directors of the Union comprise the board of directors of the Foundation. The LLC is a single member LLC of which the Foundation is the sole member. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

The accounts and activities of the affiliates are not included in these consolidated financial statements.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Cash and cash equivalents:

The ACLU considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The ACLU maintains its cash and cash equivalents in bank deposits and money market accounts. Exposure to credit risk is reduced by federal guarantees, and by placing such funds in high credit quality financial institutions and financial instruments. At March 31, 2009, the ACLU's bank deposits were held in FDIC-insured institutions participating in the FDIC's Transaction Account Guarantee Program (TAG Program), announced on October 15, 2008. The TAG Program provided full deposit insurance coverage for noninterest-bearing deposit accounts in participating institutions, regardless of the dollar amount. Coverage under the TAG Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. At March 31, 2009, the ACLU's money market accounts participated in the U.S. Treasury Department's Temporary Guarantee Program for Money Market Funds (Guarantee Program), announced on September 19, 2008. Under the Guarantee Program, the U.S. Treasury guaranteed the share price for investments held in participating money market funds as of the close of business on September 19, 2008.

Investments in marketable securities:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices with gains and losses included in the consolidated statement of activities. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the security sold (see Note 5).

Fair value implementation:

The ACLU adopted Statement of Financial Accounting Standards, *Fair Value Measurements* ("SFAS 157"), at the beginning of fiscal year 2009 and there was no significant impact to its 2009 annual financial statements. SFAS 157 applies to assets and liabilities that are being measured and reported on a fair value basis. SFAS 157 also requires new disclosure that establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. SFAS 157 enables a reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the ACLU performs a detailed analysis of the assets and liabilities that are subject to SFAS 157.

For the year ended March 31, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers or fund managers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investments.

Fair value of financial instruments:

The estimated fair value of ACLU's financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts. The following methods and assumptions were used in estimating the fair values of significant financial instruments at March 31, 2009:

Cash and cash equivalents – The carrying amount approximates fair value because the instruments are liquid in nature.

Marketable securities – The fair value is determined as described in Note 5.

Pledges and contributions receivable - The carrying amount approximates fair value.

Beneficial interest in trusts – The carrying amount approximates fair value.

Liabilities under split-interest agreements - The carrying amount approximates fair value.

Long-term debt (IDA Bond and Mortgage Payable) – The carrying amount approximates fair value.

Office buildings and furniture and equipment:

Office buildings and furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Impairment of long-lived assets:

The ACLU 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.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Assets limited as to use:

Assets limited as to use as of March 31, 2009 are comprised of an investment in a money market fund held by the Trustee of the New York City Industrial Development Agency Civic Facility Revenue (“IDA”) bonds (see Note 8). These funds were raised through the issuance of the 2005 IDA bond and are restricted, pursuant to the bond agreement, to finance the renovation, improvements, equipping and furnishing of facilities owned by the Foundation.

Net assets:

In accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-For-Profit Organizations*, the ACLU reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets consist of amounts that can be spent at the discretion of the ACLU and have no donor restrictions associated with them. A portion of unrestricted net assets have been designated by the board of directors for certain purposes and for the Bill of Rights Trust. Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific time period and/or purpose. Permanently restricted net assets consist of endowment funds which are held pursuant to the terms of agreement for the establishment of the Bill of Rights Trust.

Endowment:

Effective April 1, 2008, ACLU adopted Financial Accounting Standards Board Staff Position No. FAS 117-1 (“FSP FAS 117-1”). This FSP provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). It also requires additional disclosures about the organization’s endowment funds (both donor-restricted and board-designated funds), whether or not the organization is subject to UPMIFA.

The State of New York is not subject to UPMIFA. The Foundation is subject to the New York Not-for-Profit Corporation Law. The board of directors, on advice of legal counsel, has determined that when the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, New York law requires the Foundation to maintain historical dollar value of the contribution received as an endowment. Such amount is recorded as permanently restricted and investment returns are recorded as temporarily restricted or unrestricted based on the purpose for which the endowment was created.

The adoption of FSP FAS 117-1 had no effect on the ACLU’s consolidated financial position, results of activities or changes in net assets for the year ended March 31, 2009.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

Contributions and related receivables:

The ACLU reports contributions as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Unconditional promises to give are recorded as pledges and contributions receivable when the promise is received. Pledges and contributions receivable due within one year are recorded at their net realizable value. Pledges and contributions receivable due in more than one year are recorded at the present value of their net realizable value, using risk-free interest rates to discount the amounts. Allowance for doubtful pledges and contributions receivable are provided by management based on the ACLU's experience with the donors and their ability to pay.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions that are to be maintained permanently by the Foundation are recorded as permanently restricted support.

Contributions of donated non-cash assets are recorded at fair value in the period received.

Due to the nature of the ACLU's operations, in-kind professional services are from time to time provided on a pro bono basis by outside attorneys. No amount has been recorded with respect to the value of these services in the accompanying consolidated financial statements.

Donor concentration:

Approximately 31% of the total grants and contributions revenue for the year ended March 31, 2009 were provided by five donors. In addition, approximately 45% of the pledges and contributions receivable at March 31, 2009 is due from one donor.

Functional expenditures:

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

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

In addition, certain expenses, predominantly salaries and employee benefits, are shared between the Union and the Foundation. Expenses paid by the Union and allocated to the Foundation during the year ended March 31, 2009 amounted to \$6,182,465.

Legal awards:

Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, legal fees and expenses may be awarded in certain court cases. The amounts of these awards are the result of court determinations and appellate decisions, or negotiations between the parties to the actions. Management anticipates that the ACLU will be the recipient of legal awards of a substantial amount, but is unable to determine the amounts receivable with any degree of accuracy. Accordingly, the ACLU's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Defined benefit pension plan:

The ACLU follows SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires an employer that sponsors a defined benefit pension or postretirement plan to report the funded status of each plan in its statement of financial position and to include enhanced disclosures about each plan in its notes to the financial statements. In addition, SFAS 158 requires the measurement of plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position.

Income taxes:

The Union and the Foundation are not-for-profit organizations exempt from income taxes under Section 501(c)(4) and Section 501(c)(3), respectively, of the U.S. Internal Revenue Code. Both the Union and the Foundation are subject to taxes on unrelated business income.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

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The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the consolidated statement of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statement of activities.

New accounting standards:

In May 2008, the FASB issued FASB Staff Position (“FSP” No. SOP 94-3-1 and AAG HCO-1, *Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations*, which makes several changes to the current guidance on consolidation and the equity method of accounting in AICPA Statement of Position (“SOP”) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations* and the *AICPA Audit and Accounting Guide, Health Care Organizations* (the “Guide”. The purpose of the changes is to make the guidance between the two pronouncements more consistent with other authoritative standards, where appropriate. This statement is effective for fiscal years beginning after June 15, 2008. The adoption of FSP No. SOP 94-3-1 is not expected to have a material impact on the ACLU’s consolidated financial position, changes in net assets or cash flows.

Note 3 – Related party transactions:

Amounts due from and to affiliates represent receivables and payables which result from affiliate support and revenue sharing. Amounts due to affiliates includes the portion of contributions that are shared in accordance with the ACLU sharing rules specifying the circumstances under which income shall be shared and the methodology for determining the specific portion of various categories of revenue that will be shared by the ACLU and affiliates. Also included in amounts due to affiliates are payments related to certain affiliate subsidy programs. Amounts due from affiliates include income generated by the affiliates that is subject to the application of the ACLU sharing rules, and reimbursement to the ACLU for expenses paid by the ACLU on behalf of the affiliates, as well as contributions payable to the employee pension plan totaling \$2,676,834.

During the year ended March 31, 2009, the Foundation received approximately \$430,000 in rent from the New York Civil Liberties Union, Inc. and the New York Civil Liberties Union Foundation, Inc. for the space occupied at the Foundation’s offices.

Note 4 – Pledges and contributions receivable:

Pledges and contributions receivable which are expected to be collected after one year have been discounted at rates ranging from 2.5% to 8.0% and are reflected in the consolidated financial statements at their net present value.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Pledges and contributions receivable at March 31, 2009 are comprised of the following:

Receivable in less than one year	\$ 6,865,000
Receivable in one to five years	8,906,547
	<u>15,771,547</u>
Less: discount to present value	(885,379)
Total	<u><u>\$ 14,886,168</u></u>

All pledges and contributions receivable are deemed to be collectible when due. Accordingly, no allowance for doubtful pledges and contributions receivable has been provided in the accompanying consolidated financial statements.

Note 5 – Investments in marketable securities and cash equivalents:

The following is the fair value of the ACLU's investments in marketable securities and cash equivalents at March 31, 2009:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$ 5,915,554	\$ -	\$ 5,915,554	\$ -
U.S. Treasury notes	3,939,619	-	3,939,619	-
Mutual funds	150,651,737	150,651,737	-	-
Commingled trust funds	9,570,783	-	9,570,783	-
Federal agency bonds	12,627,643	-	12,627,643	-
Total marketable securities	<u>\$ 182,705,336</u>	<u>\$ 150,651,737</u>	<u>\$ 32,053,599</u>	<u>\$ -</u>
Money market accounts included in cash and cash equivalents	<u>\$ 9,488,982</u>	<u>\$ 9,488,982</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u><u>\$ 192,194,318</u></u>	<u><u>\$ 160,140,719</u></u>	<u><u>\$ 32,053,599</u></u>	<u><u>\$ -</u></u>

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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The investments in marketable securities are held for the following purposes:

Bill of Rights Trusts, inclusive of endowments of \$38,424,932 (Note 10)	\$ 49,250,502
Split-interest agreements (Note 7)	13,191,269
Special projects, program support and general operating reserves	<u>120,263,565</u>
	<u><u>\$ 182,705,336</u></u>

Approximately 91% of the ACLU's investments in marketable securities at March 31, 2009 are held by two financial institutions.

Net investment loss reported in the accompanying consolidated statement of activities for the year ended March 31, 2009 consisted of the following:

Interest and dividends	\$ 8,172,789
Net realized and unrealized loss on investments	<u>(79,212,559)</u>
Total	<u>(71,039,770)</u>
Adjustment for allocation to participants holding units in the Bill of Rights Trust	<u>4,932,078</u>
Net investment loss	<u><u>\$ (66,107,692)</u></u>

Note 6 – Office buildings and furniture and equipment:

Office buildings and furniture and equipment consist of the following:

	<u>Range of Estimated Useful Life</u>	
Office buildings and office condominium	50 years	\$ 47,001,760
Furniture and equipment	5-10 years	<u>4,406,314</u>
		51,408,074
Less: accumulated depreciation		<u>(14,134,623)</u>
		<u><u>\$ 37,273,451</u></u>

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Note 7 – Split-interest agreements:

The Foundation receives contributions under split-interest agreements, which include a charitable gift annuity program whereby in exchange for gifts of cash or securities, the Foundation promises to pay a fixed annual amount for life to the annuitant.

The difference between the fair value of the assets received and the present value of the future distributions to the donor is recognized as contribution revenue.

Upon the death of the annuitant, the balance of the amount in the split-interest account reverts to the Foundation.

The Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately \$1,400,000 in accordance with the agreements.

In addition, the Foundation has nine unitrust agreements, on which the income is paid to the donor for life. Upon death of the donor, the balance in the trust account shall be distributed to the Foundation for its general purposes.

Assets and liabilities related to the split-interest agreements are as follows:

Cash	\$ 509,320
Investments in marketable securities	13,191,269
Total assets	<u>13,700,589</u>
Liabilities under split-interest agreements	11,417,458
Net assets	<u><u>\$ 2,283,131</u></u>

Asset balances at March 31, 2009 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements on the accompanying consolidated statement of financial position.

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 4.75% to 9.5% and the 2000 New York State Mortality Tables.

Beneficial interests in trusts (“BITS”) are recorded based on the present value of the estimated future receipts from the trust discounted at 2.42%. These rates approximate the rates of return on U.S. government securities of similar duration and are commensurate with the risk that management associates with the ultimate collection of the trust. The initial gift and any subsequent adjustments to the nonperpetual BITS’ carrying value are

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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recognized as temporarily restricted contributions. The temporary restriction relates to the extended time period over which the gift is expected to be received and may also include purpose restrictions to benefit specific Foundation programs.

Adjustments to reflect revaluations of the present value of estimated future payments and changes in actuarial assumptions are recognized in the consolidated statement of activities as changes in value of split-interest agreements.

Note 8 – IDA bond financing:

In June 1997, the Foundation received financing of \$6,000,000 as a result of IDA's issuance of bonds in that amount, which money was used to finance a portion of the cost of the acquisition, renovation, improvement, equipping and furnishing of its office building condominium units constituting the 17th and 18th floors of 125 Broad Street, New York, which units were pledged as collateral for the debt (the "1997 IDA bonds"). On January 5, 2005, the 1997 IDA bonds were redeemed and new bonds in the amount of \$20,000,000 were issued by IDA, the proceeds of which were delivered to the Foundation in order for the Foundation to purchase the 19th floor condominium unit and a proportional common interest in the land associated with the 17th, 18th and 19th floor condominium units at 125 Broad Street, New York (together with the 17th and 18th floor condominium units, the "Realty") and to finance renovation, improvements, equipping and furnishing of the 17th, 18th and 19th floor condominium units (the Realty and all personally financed with the 2005 IDA bonds are referred to herein as the "Premises"). The 2005 IDA bonds mature on June 1, 2035.

Pursuant to the 2005 IDA bond agreements, an irrevocable direct pay letter of credit was established with a bank in order to secure payments of principal and a portion of the interest on the 2005 IDA bonds. Interest on the bonds is variable, is computed based on predetermined factors set forth in the 2005 IDA bond agreements and may not exceed a maximum rate of 10% per annum. Effective December 4, 2009, the letter of credit was amended to terminate on the earlier of January 4, 2013 or upon the occurrence of certain events set forth in the letter of credit agreement, including a redemption of the 2005 IDA bonds. Interest and other charges related to the 2005 IDA bonds and the 1997 IDA bonds were \$562,396 for the year ended March 31, 2009.

As of March 31, 2009, the Foundation had an outstanding interest rate swap agreement with JPMorgan Chase Bank, NA, having an original notional principal amount of \$20,000,000 that reduces as debt principal payments are made, with a maturity of January 2010. Under the swap agreement, the Foundation paid interest at a fixed rate of 3.25% and received interest at a variable rate, based on a notional amount. Both the debt and the swap required payments be made or received monthly. The variable interest reset on a daily basis. As of March 31, 2009, the fair value of the swap agreement was a liability of approximately \$40,000.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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The letter of credit agreement includes various covenants which, among other matters, require the Foundation to maintain a specified debt service coverage ratio; maintain a specified level of unrestricted net assets; and maintain a cash and cash equivalents and marketable securities to debt ratio. The Foundation is currently not in compliance with its debt service coverage ratio covenant requirement. The Foundation has agreed to various additional covenants and entered into various guarantees and pledges in connection with the issuance of the 2005 IDA bonds and the letter of credit.

In connection with the issuance of the 2005 IDA bonds, the Foundation entered into a lease agreement with IDA to lease the Premises. Concurrently with the execution of the lease agreement, IDA agreed to sell and assign its leasehold interest in the Premises to the Foundation. A failure by the Foundation to pay principal and interest as due under the terms of the 2005 IDA bonds and to pay amounts due under the letter of credit could lead to the Foundation being required to surrender the Premises.

Principal payments under the above obligation in each of the five years subsequent to March 31, 2009 and thereafter are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2010	\$ 415,000
2011	425,000
2012	445,000
2013	460,000
2014	480,000
Thereafter	16,480,000
	<u>\$ 18,705,000</u>

Note 9 – Mortgage payable:

The Foundation assumed a mortgage payable to a financial institution for the purchase of property in Washington, D.C., owned by 915 15th Street LLC of which the Foundation is the sole member. The mortgage is payable in monthly installments of \$31,249, including interest at 7.66%. Interest expense amounted to \$316,335 for the year ended March 31, 2009. The final payment of \$3,908,089 is due on April 1, 2011. The mortgage is collateralized by the property in Washington, D.C.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Principal payments under this obligation in each of the years subsequent to March 31, 2009 are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2010	\$ 63,373
2011	68,474
2012	3,908,089
	<u>\$ 4,039,936</u>

Note 10 – The Bill of Rights Trust:

In 1997, the Foundation and the 501(c)(3) arms of the affiliates (the “Affiliate Foundations”) 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 ACLU and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States. 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 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. For the year ended March 31, 2009, the approved distribution amount was equal to 4% of the average year-end value of total funds invested over the preceding three calendar years (e.g., at December 31, 2006, 2007 and 2008).

The investment goals of the Trust are to invest assets in a prudent manner that will balance a reasonable distribution to the Foundation and Affiliate Foundations and a long-term growth in the value of the assets of the Trust. The Foundation’s share of the net assets in the Trust is included in the unrestricted and permanently restricted net assets in the consolidated statement of financial position. The Foundation’s share of distributions is recorded as unrestricted support when received.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Note 11 – Commitments and contingency:

The Foundation leases office space in various locations under various operating leases.

The ACLU 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 consolidated financial position of the ACLU or the consolidated results of its activities.

Note 12 – Retirement plans:

American Civil Liberties Union Retirement Plan:

The ACLU sponsors the American Civil Liberties Union Retirement Plan (the “Pension Plan”) which it accounted for as a single-employer plan. The Pension Plan covers eligible employees of the ACLU and its affiliates.

The Pension Plan is a defined benefit plan covering those employees who have at least one year of service, or at least 1,000 hours worked per year, and are at least twenty-one years of age. Benefits are based on service to date on an average of career earnings. The ACLU’s policy is to fund pension costs by contributing at least the minimum amount required by the Employment Retirement Income Security Act of 1975 (“ERISA”).

All funds of the Pension Plan are held by Principal Financial Group Life Insurance Company (“Principal”) under a flexible pension investment contract administered by Principal. When benefits commence for any participant, the full single premium required to purchase the participant’s annuity may be charged against the fund or the benefit may be paid monthly from the fund directly. Effective January 1, 1991, the Pension Plan elected to provide benefits under a benefit index option plan for most retirees rather than purchase annuity contracts.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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The following table sets forth the funded status, change in fund status and amounts recognized in the consolidated financial statements at March 31, 2009:

Change in benefit obligation:	
Obligation at beginning of year	\$ 59,803,936
Service cost	4,584,207
Interest cost	4,459,364
Actuarial gain	(8,936,244)
Benefit payments and expected expenses	<u>(1,593,150)</u>
Obligation at end of year	<u>58,318,113</u>
Change in plan assets:	
Fair value of plan assets at beginning of year	48,918,075
Actual return on plan assets	(18,279,360)
Employer contributions	2,235,805
expenses	<u>(1,615,470)</u>
Fair value of plan assets at end of year	<u>31,259,050</u>
Funded status at end of year	<u>\$ (27,059,063)</u>
Amounts recognized as liabilities in the consolidated statement of financial position	
	<u>\$ (27,059,063)</u>
Amounts recognized as cumulative changes in pension other than net periodic costs:	
Net loss	<u>\$ (25,535,607)</u>

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Components of net benefit cost:

Components of net periodic pension cost:

Service cost	\$ 4,584,207
Interest cost	4,459,364
Expected return on plan assets	(4,746,924)
Amortization of net loss	449,836
Net periodic pension cost	<u>4,746,483</u>

Changes in pension costs other than net periodic cost:

Net loss	14,112,360
Amortization of net loss	(449,836)
Net other than periodic cost	<u>13,662,524</u>
Net benefit cost	<u>\$ 18,409,007</u>

The net periodic pension costs of \$4,746,843 include \$2,676,834 of net periodic pension costs of affiliates' employees participating in the Plan (Note 3).

The following table provides the weighted average assumptions and certain other information:

Weighted-average assumptions to determine benefit obligation as of March 31, 2009

Discount rate	7.00%
Expected return on plan assets	7.75%
Rate of compensation increase	5.00%

Weighted-average assumptions to determine net benefit cost for the year ended March 31, 2009

Discount rate	6.00%
Expected return on plan assets	7.75%
Rate of compensation increase	5.00%

As of March 31, 2009, the accumulated benefit obligation of the Pension Plan is \$50,722,341.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Estimated future benefit payments attributable to estimated future employee service in each of the five years subsequent to March 31, 2009 and in the aggregate subsequent to 2014 are as follows:

2010	\$ 1,940,206
2011	2,061,517
2012	2,346,629
2013	2,615,306
2014	3,020,060
Thereafter	20,084,180

The target allocations of pension assets are outlined below:

	Percentage of Plan Assets at March 31,		
	Target Allocation 2009	2008	2007
Equity securities	58%	58%	60%
Fixed income	40%	34%	32%
Real estate	2%	8%	8%
Total	100%	100%	100%

The overall objective of these allocations is to provide for long-term growth while maintaining an acceptable level of risk. The expected long-term rate of return on assets is 7.75%. The assumption is based on future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class. All investments are chosen with prudence and due diligence by investment managers to ensure that results over time meet the goals and objectives of the Pension Plan.

Eligible ACLU employees may also participate in the ACLU 401(k) Plan (the "401(k) Plan"), which is a defined contribution 401(k) salary reduction plan covering substantially all employees of the Union, the Foundation, and their affiliates. Under the 401(k) Plan, employees may voluntarily contribute up to 20% of their pre-tax compensation to the 401(k) Plan subject to Internal Revenue Service limits. There is no employer match or other contributions.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Note 13 – Net assets:

Net assets at March 31, 2009 are comprised of the following:

Unrestricted:	
Bill of Rights Trust	<u>\$ (1,842,937)</u>
Undesignated	<u>11,555,137</u>
Board designated:	
Development fund	34,652,671
Dividend distribution fund	7,352,637
Affiliate development fund	13,246,746
Annuity	1,690,806
Litigation fund	10,427,863
John Adams fund	<u>12,741,889</u>
Total board-designated	<u>80,112,612</u>
Total unrestricted	<u>89,824,812</u>
Temporarily restricted:	
Special projects	35,404,677
Time restricted	19,753,527
Trusts	<u>868,206</u>
Total temporarily restricted	<u>56,026,410</u>
Permanently restricted - Bill of Rights Trust	<u>38,424,932</u>
Total net assets	<u><u>\$ 184,276,154</u></u>

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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Note 14 – Net assets released from restrictions:

Net assets were released from donor restrictions during the year ended March 31, 2009 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

Special projects:	
National Prison	\$ 2,390,565
Immigrants' Rights	3,151,223
Reproductive Freedom	2,695,870
Women's Rights	1,625,674
Voting Rights	1,547,506
Lesbian Gay Bisexual Transgender and AIDS Project	4,523,099
Bill of Rights Action	3,419,801
Other special projects	10,040,974
	<hr/>
	29,394,712
Time restrictions	750,000
	<hr/>
	<u>\$ 30,144,712</u>

Note 15 – Unaudited prior-year summarized comparative information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset or by functional expense classifications. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information was presented by management in connection with the restatement referred to in Note 16. It has not been audited.

Note 16 – Restatement of net assets as of and for the year ended March 31, 2008:

The Union and the Foundation have issued separate financial statements in prior fiscal periods. In preparing financial statements for the year ended March 31, 2009, management conducted a detailed evaluation of the requirements for consolidated financial statements pursuant to SOP 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, and concluded that both control and economic interest exist between the two related entities that necessitates the preparation of consolidated financial statements for the ACLU.

In fiscal year 2009, the ACLU performed a detailed review of the composition of its net assets by donor restriction and, as a result, has made reclassifications of its net asset balances as of March 31, 2008. The reclassification has no effect on the total net assets and the changes in net assets as of and for the year ended March 31, 2008.

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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As described in Note 12, the Union sponsors the American Civil Liberties Union Retirement Plan, which its accounts for as a single-employer defined benefit plan covering eligible employees of the Union, the Foundation and their affiliates. The Union's stand alone financial statements as of and for the year ended March 31, 2008 presented an allocation of the benefit obligation, plan assets and unfunded status. As the Plan's sponsor, the Union should have presented the pension information in its entirety. As a result, the Union understated its March 31, 2008 pension liability by \$6,116,765, and did not record receivables representing contributions from its affiliates totaling \$1,988,803. The corrected information is presented in the 2008 ACLU financial statements.

Accordingly, net assets of the Union and the Foundation as of and for the year ended March 31, 2008 have been restated and consolidated as follows:

	Net Assets at March 31, 2008 as		Net Assets as of and for the Year Ended March 31, 2008 as Restated and Consolidated				
	Previously Reported		915 15th Street				
	Union	Foundation	Union	Foundation	LLC	Eliminations	Consolidated
Unrestricted	\$ 5,431,039	\$ 148,840,249	\$ 5,431,039	\$ 148,840,249	\$ (449,836)	\$ 449,836	\$ 154,271,288
Adjustment to accrued pension liability	-	-	(6,607,970)	2,480,008	-	-	(4,127,962)
Reclassifications	-	-	-	31,767,508	-	-	31,767,508
	<u>5,431,039</u>	<u>148,840,249</u>	<u>(1,176,931)</u>	<u>183,087,765</u>	<u>(449,836)</u>	<u>449,836</u>	<u>181,910,834</u>
Temporarily restricted	4,575,409	76,963,918	4,575,409	76,963,918	-	-	81,539,327
Reclassifications	-	-	-	(31,767,508)	-	-	(31,767,508)
	<u>4,575,409</u>	<u>76,963,918</u>	<u>4,575,409</u>	<u>45,196,410</u>	<u>-</u>	<u>-</u>	<u>49,771,819</u>
Permanently restricted	-	38,103,550	-	38,103,550	-	-	38,103,550
	<u>\$ 10,006,448</u>	<u>\$ 263,907,717</u>	<u>\$ 3,398,478</u>	<u>\$ 266,387,725</u>	<u>\$ (449,836)</u>	<u>\$ 449,836</u>	<u>\$ 269,786,203</u>

AMERICAN CIVIL LIBERTIES UNION, INC. AND CONSOLIDATED ENTITIES
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The effects of the adjustment to accrued pension liability to the 2008 financial statements are as follows:

	Total as Previously Reported	Adjustment	As Consolidated and Restated
<u>Year ended March 31, 2008</u>			
Total support and revenue	\$ 103,202,083	\$ -	\$ 103,202,083
Total expenses	91,671,343	(148,644)	91,522,699
Effect of adoption of recognition of provision of SFAS 158	3,737,968	4,594,839	8,332,807
Minimum pension liability adjustment	(411,714)	(318,233)	(729,947)
Total expenses and other charges	94,997,597	4,127,962	99,125,559
Change in net assets	\$ 8,204,486	\$ (4,127,962)	\$ 4,076,524
<u>March 31, 2008</u>			
Total assets	\$ 342,261,998	\$ 1,988,803	\$ 344,250,801
Total liabilities	68,347,833	6,116,765	74,464,598
Net assets	\$ 273,914,165	\$ (4,127,962)	\$ 269,786,203

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidating Statement of Financial Position
March 31, 2009

	American Civil Liberties Union, Inc.	American Civil Liberties Union, Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
<u>Assets</u>					
Cash and cash equivalents	\$ 493,819	\$ 25,209,277	\$ 217,872	\$ -	\$ 25,920,968
Pledges and contributions receivable, net	-	14,886,168	-	-	14,886,168
Investments in marketable securities	1,951,317	180,754,019	-	-	182,705,336
Other assets	167,754	1,485,037	-	-	1,652,791
Due from affiliates	3,313,055	2,482,632	-	-	5,795,687
Due from ACLU Foundation, Inc.	10,037,239	-	-	(10,037,239)	-
Investment in 915 15th Street LLC	-	(576,097)	-	576,097	-
Beneficial interest in trusts	-	275,881	-	-	275,881
Office buildings and furniture and equipment, net of accumulated depreciation	-	27,931,982	9,341,469	-	37,273,451
Assets limited or restricted as to use	-	172,472	-	-	172,472
Total assets	\$ 15,963,184	\$ 252,621,371	\$ 9,559,341	\$ (9,461,142)	\$ 268,682,754
<u>Liabilities and Net Assets</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,063,979	\$ 1,675,393	\$ 47,204	\$ -	\$ 2,786,576
Due to ACLU, Inc.	-	2,517,329	6,048,298	(8,565,627)	-
Liabilities under split-interest agreements	-	11,417,458	-	-	11,417,458
IDA bond	-	18,705,000	-	-	18,705,000
Mortgage payable	-	-	4,039,936	-	4,039,936
Bill of Rights Trust Held for Affiliates	-	14,282,358	-	-	14,282,358
Accrued pension liability	27,059,063	1,471,612	-	(1,471,612)	27,059,063
Due to affiliates	1,168,738	4,947,471	-	-	6,116,209
Total liabilities	29,291,780	55,016,621	10,135,438	(10,037,239)	84,406,600
Commitments and contingency					
Net Assets:					
Unrestricted:					
Bill of Rights Trust	-	(1,842,937)	-	-	(1,842,937)
Board designated	7,879,346	72,233,266	-	-	80,112,612
Undesignated	(21,293,059)	32,848,196	(576,097)	576,097	11,555,137
Total unrestricted	(13,413,713)	103,238,525	(576,097)	576,097	89,824,812
Temporarily restricted	85,117	55,941,293	-	-	56,026,410
Permanently restricted - Bill of Rights Trust	-	38,424,932	-	-	38,424,932
Total net assets	(13,328,596)	197,604,750	(576,097)	576,097	184,276,154
Total liabilities and net assets	\$ 15,963,184	\$ 252,621,371	\$ 9,559,341	\$ (9,461,142)	\$ 268,682,754

American Civil Liberties Union, Inc. and Consolidated Entities
Consolidating Statement of Activities
Year Ended March 31, 2009

	American Civil Liberties Union, Inc.			American Civil Liberties Union Foundation, Inc.				915 15th Street, LLC		Consolidated			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:													
Support:													
Current member contributions	\$ 22,759,052	\$ -	\$ 22,759,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,759,052	\$ -	\$ -	\$ 22,759,052
New member contributions	3,859,862	-	3,859,862	-	-	-	-	-	-	3,859,862	-	-	3,859,862
Grants and contributions	1,904,481	-	1,904,481	16,537,399	38,495,950	321,382	55,354,731	-	-	18,441,880	38,495,950	321,382	57,259,212
Bequest	1,624,550	-	1,624,550	6,781,698	94,874	-	6,876,572	-	-	8,406,248	94,874	-	8,501,122
Total support	30,147,945	-	30,147,945	23,319,097	38,590,824	321,382	62,231,303	-	-	53,467,042	38,590,824	321,382	92,379,248
Revenue:													
List rentals	121,778	-	121,778	-	-	-	-	-	-	121,778	-	-	121,778
Rent income	-	-	-	861,204	-	-	861,204	1,199,242	(1,014,972)	1,045,474	-	-	1,045,474
Pamphlet and book sales	14,354	-	14,354	-	-	-	-	-	-	14,354	-	-	14,354
Other income	-	-	-	34,904	54,196	-	89,100	3,248	-	38,152	54,196	-	92,348
Total revenue	136,132	-	136,132	896,108	54,196	-	950,304	1,202,490	(1,014,972)	1,219,758	54,196	-	1,273,954
Net assets released from restrictions	4,490,292	(4,490,292)	-	25,654,420	(25,654,420)	-	-	-	-	30,144,712	(30,144,712)	-	-
Total support and revenue	34,774,369	(4,490,292)	30,284,077	49,869,625	12,990,600	321,382	63,181,607	1,202,490	(1,014,972)	84,831,512	8,500,308	321,382	93,653,202
Expenses:													
Program services:													
Legislative	2,227,865	-	2,227,865	-	-	-	-	-	(122,104)	2,105,761	-	-	2,105,761
Legal	-	-	-	28,970,929	-	-	28,970,929	-	(531,932)	28,438,997	-	-	28,438,997
Public education	10,139,142	-	10,139,142	18,994,396	-	-	18,994,396	-	(154,446)	28,979,092	-	-	28,979,092
Civil liberties policy formulation	1,747,255	-	1,747,255	-	-	-	-	-	(84,127)	1,663,128	-	-	1,663,128
Affiliate support	10,193,879	-	10,193,879	6,734,770	-	-	6,734,770	-	-	16,928,649	-	-	16,928,649
Total program services	24,308,141	-	24,308,141	54,700,095	-	-	54,700,095	-	(892,609)	78,115,627	-	-	78,115,627
Supporting services:													
Management and general	463,129	-	463,129	6,104,115	-	-	6,104,115	1,328,751	(79,465)	7,816,530	-	-	7,816,530
Fund-raising	6,180,310	-	6,180,310	7,089,000	-	-	7,089,000	-	(42,898)	13,226,412	-	-	13,226,412
Total supporting services	6,643,439	-	6,643,439	13,193,115	-	-	13,193,115	1,328,751	(122,363)	21,042,942	-	-	21,042,942
Total expenses	30,951,580	-	30,951,580	67,893,210	-	-	67,893,210	1,328,751	(1,014,972)	99,158,569	-	-	99,158,569
Change in net assets before other changes	3,822,789	(4,490,292)	(667,503)	(18,023,585)	12,990,600	321,382	(4,711,603)	(126,261)	-	(14,327,057)	8,500,308	321,382	(5,505,367)
Other changes in net assets:													
Legal expenses awarded, net	-	-	-	1,805,989	-	-	1,805,989	-	-	1,805,989	-	-	1,805,989
Net investment income, gains and losses	(781,577)	-	(781,577)	(63,298,887)	(2,027,228)	-	(65,326,115)	-	-	(64,080,464)	(2,027,228)	-	(66,107,692)
Change in value of split-interest agreements	-	-	-	(206,496)	(218,489)	-	(424,985)	-	-	(206,496)	(218,489)	-	(424,985)
Net loss on investment in 915 15th Street LLC	-	-	-	(126,261)	-	-	(126,261)	-	126,261	-	-	-	-
Minimum pension liability adjustment	(15,277,994)	-	(15,277,994)	-	-	-	-	-	-	(15,277,994)	-	-	(15,277,994)
Total other changes in net assets	(16,059,571)	-	(16,059,571)	(61,825,655)	(2,245,717)	-	(64,071,372)	-	126,261	(77,758,965)	(2,245,717)	-	(80,004,682)
Changes in net assets	(12,236,782)	(4,490,292)	(16,727,074)	(79,849,240)	10,744,883	321,382	(68,782,975)	(126,261)	126,261	(92,086,022)	6,254,591	321,382	(85,510,049)
Net assets at beginning of year, as previously reported	5,431,039	4,575,409	10,006,448	148,840,249	76,963,918	38,103,550	263,907,717	(449,836)	449,836	154,271,288	81,539,327	38,103,550	273,914,165
Adjustment to accrued pension liability	(6,607,970)	-	(6,607,970)	2,480,008	-	-	2,480,008	-	-	(4,127,962)	-	-	(4,127,962)
Reclassifications of net asset restrictions	-	-	-	31,767,508	(31,767,508)	-	-	-	-	31,767,508	(31,767,508)	-	-
Net assets at beginning of year, as restated	(1,176,931)	4,575,409	3,398,478	183,087,765	45,196,410	38,103,550	266,387,725	(449,836)	449,836	181,910,834	49,771,819	38,103,550	269,786,203
Net assets at end of year	\$ (13,413,713)	\$ 85,117	\$ (13,328,596)	\$ 103,238,525	\$ 55,941,293	\$ 38,424,932	\$ 197,604,750	\$ (576,097)	\$ 576,097	\$ 89,824,812	\$ 56,026,410	\$ 38,424,932	\$ 184,276,154