

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

Consolidated Financial Report

March 31, 2011

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## 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 the American Civil Liberties Union, Inc. (the "Union") and consolidated entities (collectively, the "American Civil Liberties Union" or the "ACLU") as of March 31, 2011, 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. The prior-year summarized comparative information has been derived from the ACLU's 2010 financial statements and, in our report dated November 16, 2010, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Civil Liberties Union, Inc. and consolidated entities as of March 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. The consolidating information as of and for the year ended March 31, 2011 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. The consolidating information as of and for the year ended March 31, 2010 was derived from the ACLU's 2010 consolidated financial statements and, in our report dated November 16, 2010, we expressed an unqualified opinion on such information in relation to the basic consolidated financial statements taken as a whole.

*McGladrey & Pullen, LLP*

New York, New York  
October 19, 2011

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

**Consolidated Statements of Financial Position**

**March 31, 2011**

**(with summarized comparative information as of March 31, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$2,136,907 and \$3,931,638 at March 31, 2011 and 2010, respectively)	\$ 26,612,623	\$ 25,459,867
Pledges and Contributions Receivable, net	37,897,339	31,617,933
Investments	275,476,996	248,396,713
Other Assets	2,354,242	2,597,696
Due From Affiliates	9,787,974	11,181,816
Beneficial Interest in Trusts	555,174	287,484
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	34,650,633	36,270,718
<b>Total assets</b>	<b>\$ 387,334,981</b>	<b>\$ 355,812,227</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,047,301	\$ 3,265,730
Due to affiliates	15,219,513	17,452,415
Liabilities under split-interest agreements	11,203,259	11,261,514
IDA bond	17,865,000	18,290,000
Mortgage payable	3,908,089	3,976,563
Bill of Rights Trust held for affiliates	24,521,136	22,495,290
Accrued pension liability	29,025,037	25,256,676
<b>Total liabilities</b>	<b>105,789,335</b>	<b>101,998,188</b>
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Bill of Rights Trust	-	9,616,373
Board-designated	144,478,997	124,724,754
Undesignated	29,220,844	34,255,059
<b>Total unrestricted</b>	<b>173,699,841</b>	<b>168,596,186</b>
Temporarily restricted:		
Bill of Rights Trust	14,002,225	-
Other time and purpose restrictions	54,841,371	46,430,199
<b>Total temporarily restricted</b>	<b>68,843,596</b>	<b>46,430,199</b>
Permanently restricted - Bill of Rights Trust	39,002,209	38,787,654
<b>Total net assets</b>	<b>281,545,646</b>	<b>253,814,039</b>
<b>Total liabilities and net assets</b>	<b>\$ 387,334,981</b>	<b>\$ 355,812,227</b>

See Notes to Consolidated Financial Statements.

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidated Statements of Activities

Year Ended March 31, 2011

(with summarized comparative information for the year ended March 31, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue:					
Support:					
Current member contributions	\$ 20,574,298	\$ -	\$ -	\$ 20,574,298	\$ 21,462,861
New member contributions	3,506,308	-	-	3,506,308	3,410,217
Grants and contributions	27,659,690	25,343,342	214,555	53,217,587	51,970,879
Donated legal services	10,581,619	-	-	10,581,619	5,518,497
Bequests	15,398,736	2,450,254	-	17,848,990	34,051,837
<b>Total support</b>	<b>77,720,651</b>	<b>27,793,596</b>	<b>214,555</b>	<b>105,728,802</b>	<b>116,414,291</b>
Revenue:					
List rentals	61,128	-	-	61,128	61,595
Rental income	524,366	-	-	524,366	610,849
Pamphlet and book sales	14,816	-	-	14,816	10,657
Other income	55,078	-	-	55,078	49,404
<b>Total revenue</b>	<b>655,388</b>	<b>-</b>	<b>-</b>	<b>655,388</b>	<b>732,505</b>
Net Assets Released From Restrictions	21,195,139	(21,195,139)	-	-	-
<b>Total support and revenue</b>	<b>99,571,178</b>	<b>6,598,457</b>	<b>214,555</b>	<b>106,384,190</b>	<b>117,146,796</b>
Expenses:					
Program services:					
Legislative	2,003,632	-	-	2,003,632	2,665,260
Legal	32,890,954	-	-	32,890,954	29,084,686
Public education	20,709,602	-	-	20,709,602	21,079,113
Civil liberties policy formulation	1,764,347	-	-	1,764,347	1,540,904
Affiliate support	38,423,804	-	-	38,423,804	41,876,416
<b>Total program services</b>	<b>95,792,339</b>	<b>-</b>	<b>-</b>	<b>95,792,339</b>	<b>96,246,379</b>
Supporting services:					
Management and general	5,001,579	-	-	5,001,579	4,958,911
Fund-raising	8,174,809	-	-	8,174,809	9,486,746
<b>Total supporting services</b>	<b>13,176,388</b>	<b>-</b>	<b>-</b>	<b>13,176,388</b>	<b>14,445,657</b>
<b>Total expenses</b>	<b>108,968,727</b>	<b>-</b>	<b>-</b>	<b>108,968,727</b>	<b>110,692,036</b>
<b>Change in net assets before other changes</b>	<b>(9,397,549)</b>	<b>6,598,457</b>	<b>214,555</b>	<b>(2,584,537)</b>	<b>6,454,760</b>
Other Changes in Net Assets:					
Legal expenses awarded, net	2,189,804	-	-	2,189,804	4,246,555
Net investment income, gains and losses	22,627,520	6,411,607	-	29,039,127	61,936,685
Changes in value of split-interest agreements	(262,586)	36,960	-	(225,626)	(880,437)
Loss on uncollectible pledge	-	(250,000)	-	(250,000)	(4,622,222)
Minimum pension liability adjustment	(437,161)	-	-	(437,161)	2,402,544
<b>Total other changes in net assets</b>	<b>24,117,577</b>	<b>6,198,567</b>	<b>-</b>	<b>30,316,144</b>	<b>63,083,125</b>
<b>Change in net assets before the effect of NYPMIFA enactment</b>	<b>14,720,028</b>	<b>12,797,024</b>	<b>214,555</b>	<b>27,731,607</b>	<b>69,537,885</b>
Effect of NYPMIFA enactment - reclassification of unappropriated earnings on endowment (Note 2)	(9,616,373)	9,616,373	-	-	-
<b>Change in net assets</b>	<b>5,103,655</b>	<b>22,413,397</b>	<b>214,555</b>	<b>27,731,607</b>	<b>69,537,885</b>
Net Assets:					
Beginning	168,596,186	46,430,199	38,787,654	253,814,039	184,276,154
Ending	\$ 173,699,841	\$ 68,843,596	\$ 39,002,209	\$ 281,545,646	\$ 253,814,039

See Notes to Consolidated Financial Statements.

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidated Statements of Functional Expenses

Year Ended March 31, 2011

(with summarized comparative information for the year ended March 31, 2010)

	2011						2010				
	Program Services					Supporting Services					
	Legislative	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total	Management and General	Fund-raising	Total	Total Expenses	Summarized Comparative Information
Salaries	\$ 890,676	\$11,024,809	\$ 4,662,651	\$ 796,375	\$ 2,088,385	\$ 19,462,896	\$ 2,028,219	\$ 3,031,784	\$ 5,060,003	\$ 24,522,899	\$ 25,746,127
Employee benefits	249,006	3,018,737	1,601,044	414,295	893,815	6,176,897	1,413,002	872,862	2,285,864	8,462,761	8,427,841
Rent and occupancy	259,708	1,206,854	906,675	55,724	161,562	2,590,523	154,977	237,655	392,632	2,983,155	3,188,630
Books	26,495	150,395	80,365	3,295	3,031	263,581	6,099	22,607	28,706	292,287	309,848
Building depreciation	118,646	1,183,529	493,648	63,966	292,150	2,151,939	177,941	372,631	550,572	2,702,511	2,573,512
Equipment depreciation	8,012	235,429	74,037	14,308	65,348	397,134	39,802	83,350	123,152	520,286	544,036
Equipment rental and maintenance	21,649	191,870	90,314	9,254	33,445	346,532	25,730	45,599	71,329	417,861	351,800
Grants to affiliates	-	928,359	-	-	3,476,456	4,404,815	-	-	-	4,404,815	4,946,215
Shared portion of contributions	-	526,476	-	-	16,290,983	16,817,459	-	-	-	16,817,459	17,401,505
Shared portion of bequest	-	-	-	-	7,900,878	7,900,878	-	-	-	7,900,878	11,454,859
Meetings/conferences	5,181	149,539	301,815	8,281	303,479	768,295	12,447	16,843	29,290	797,585	185,416
Legal fees	195,134	866,923	35,223	48,103	82,782	1,228,165	118,542	38,013	156,555	1,384,720	2,422,119
Donated legal services	-	10,581,619	-	-	-	10,581,619	-	-	-	10,581,619	5,518,497
Accounting fees	-	-	-	-	-	-	219,667	-	219,667	219,667	288,839
Professional fundraising services	-	-	-	-	-	-	-	1,321,991	1,321,991	1,321,991	788,148
Other professional services	6,939	659,166	4,773,529	170,524	304,967	5,915,125	395,179	40,019	435,198	6,350,323	7,701,970
Interest expense	71,163	216,248	166,891	6,660	30,420	491,382	18,528	38,800	57,328	548,710	837,317
Postage and supplies	9,710	119,419	2,491,186	11,893	25,847	2,658,055	34,490	616,909	651,399	3,309,454	3,400,065
Publishing, printing and outreach	4,607	38,431	2,265,325	-	169	2,308,532	-	820,748	820,748	3,129,280	2,873,193
Special affiliate subsidies	-	-	-	-	6,219,906	6,219,906	-	-	-	6,219,906	4,340,936
Telephone	43,871	346,536	160,810	14,221	52,629	618,067	37,721	73,436	111,157	729,224	813,785
Telemarketing	-	-	1,825,155	-	-	1,825,155	-	276,896	276,896	2,102,051	2,585,606
Travel	46,313	955,760	224,747	107,114	122,620	1,456,554	167,957	107,169	275,126	1,731,680	1,343,596
Other expenses	46,522	490,855	556,187	40,334	74,932	1,208,830	151,278	157,497	308,775	1,517,605	2,648,176
<b>Total - 2011</b>	<b>\$2,003,632</b>	<b>\$32,890,954</b>	<b>\$20,709,602</b>	<b>\$ 1,764,347</b>	<b>\$38,423,804</b>	<b>\$ 95,792,339</b>	<b>\$ 5,001,579</b>	<b>\$ 8,174,809</b>	<b>\$ 13,176,388</b>	<b>\$108,968,727</b>	
<b>Total - 2010</b>	<b>\$2,665,260</b>	<b>\$29,084,686</b>	<b>\$21,079,113</b>	<b>\$ 1,540,904</b>	<b>\$41,876,416</b>	<b>\$ 96,246,379</b>	<b>\$ 4,958,911</b>	<b>\$ 9,486,746</b>	<b>\$ 14,445,657</b>		<b>\$110,692,036</b>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statements of Cash Flows**

**Year Ended March 31, 2011**

**(with summarized comparative information for the year ended March 31, 2010)**

	2011	2010
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	<b>\$ 27,731,607</b>	\$ 69,537,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	<b>3,222,797</b>	3,117,548
Loss on uncollectible pledge	<b>250,000</b>	4,622,222
Discount on pledges receivable	<b>(105,832)</b>	(385,738)
Changes in value of split-interest agreements	<b>1,022,605</b>	1,064,573
Net realized and unrealized gains on investments, net of adjustments for affiliate holdings	<b>(23,167,550)</b>	(56,466,436)
Contributions restricted for endowment	<b>(214,555)</b>	(362,722)
Contributions subject to split-interest agreements	<b>(560,442)</b>	(350,065)
Changes in operating assets and liabilities:		
Due from/to affiliates	<b>(839,060)</b>	5,950,077
Pledges and contributions receivable	<b>(6,423,574)</b>	(20,968,249)
Other assets	<b>243,454</b>	(944,905)
Beneficial interest in trusts	<b>(267,690)</b>	(11,603)
Accounts payable and accrued expenses	<b>781,571</b>	479,154
Accrued pension liability	<b>3,768,361</b>	(1,802,387)
Bill of Rights Trust held for affiliates	<b>23,819</b>	47,614
<b>Net cash provided by operating activities</b>	<b><u>5,465,511</u></b>	<u>3,526,968</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	<b>8,653,220</b>	10,013,137
Purchase of investments	<b>(10,563,926)</b>	(11,072,760)
Assets restricted as to use	-	172,472
Purchase of office buildings and equipment	<b>(1,602,712)</b>	(2,114,815)
<b>Net cash used in investing activities</b>	<b><u>(3,513,418)</u></b>	<u>(3,001,966)</u>
<b>Cash Flows From Financing Activities:</b>		
Contributions restricted for endowment	<b>214,555</b>	362,722
Contributions subject to split-interest agreements	<b>560,442</b>	350,065
Payments on split-interest agreements	<b>(1,427,956)</b>	(1,372,803)
New annuities	<b>876,385</b>	357,538
Terminated split-interest agreements	<b>(529,289)</b>	(205,252)
Mortgage payments	<b>(68,474)</b>	(63,373)
Principal payments on IDA bonds	<b>(425,000)</b>	(415,000)
<b>Net cash used in financing activities</b>	<b><u>(799,337)</u></b>	<u>(986,103)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,152,756</b>	(461,101)
<b>Cash and Cash Equivalents:</b>		
Beginning	<b><u>25,459,867</u></b>	25,920,968
Ending	<b><u>\$ 26,612,623</u></b>	<u>\$ 25,459,867</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	<b><u>\$ 548,710</u></b>	<u>\$ 837,317</u>
Increase in investments for Bill of Rights Trust held for affiliates	<b><u>\$ 2,002,027</u></b>	<u>\$ 8,165,318</u>

See Notes to Consolidated Financial Statements.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 1. Organization

The American Civil Liberties Union, Inc. (the "Union") and the 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 and the nation's civil rights laws. 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 50 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"). The affiliates also operate 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 overarching civil liberties issues and initiatives. Although the ACLU plays no direct role in the governance of, and, except in very limited instances, does not share employees with, the affiliates, the organizations jointly fund-raise and work together on certain programs, and the ACLU, through either the Union or Foundation, as appropriate, at 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 and activities 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 limited liability company of which the Foundation is the sole member. All significant interorganizational 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.

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.

Investments and Related Income, Gains and Losses: Investments are reported at fair value in the consolidated statements of financial position. The consolidated statements of activities include net investment income consisting of interest and dividend income, realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: The ACLU follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the ACLU has the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

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. Investments in this category generally include equity and debt positions in private companies.

The ACLU assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2 and 3 during the year.

The ACLU also applies the following amendments to FASB ASC 820:

Accounting Standards Update ("ASU") No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments that do not have readily determinable fair values. This guidance amends FASB ASC 820 and allows for the estimation of the fair value of certain investments in investment companies using the reported net asset value per share and classifying those investments within the fair value hierarchy.

ASU 2010-06, *Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements*, which requires new disclosures concerning the reasons for transferring financial assets and liabilities between Levels 1 and 2. This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and disclosures about inputs and valuation techniques are required for both Level 2 and Level 3 measurements. It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances and settlements instead of netting these changes.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 2. Summary of Significant Accounting Policies (Continued)

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board ("IASB") on fair value measurement. The amendments in ASU 2011-04 are effective to the ACLU's financial statements for annual periods beginning after December 15, 2011.

Fair Value of Financial Instruments: The estimated fair value of the 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, 2011:

Cash and cash equivalents - The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Investments - The fair value is determined as described in Note 5.

Pledges and contributions receivable - The carrying amount is based on estimated present value of the anticipated cash inflows and approximates fair value.

Other assets, due to/from affiliates, and accounts payable and accrued expenses - The carrying amounts approximate fair values because of the short-term nature of the instruments.

Beneficial interest in trusts - The carrying amount is based on estimated present value of the anticipated cash inflows and approximates fair value.

Liabilities under split-interest agreements - The carrying amount is based on estimated present value of the expected payments to beneficiaries and approximates fair value.

Long-term debt (IDA bond and mortgage payable) - The carrying amount approximates fair value because the interest rates are variable and reflect market conditions.

Concentration of Market and Credit Risk: The ACLU's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments.

The ACLU maintains its cash and cash equivalents in bank deposits and money market accounts. All of the ACLU's bank deposits are held in "noninterest-bearing transaction accounts" that are insured in full by the Federal Deposit Insurance Corporation from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Exposure to credit risk is also reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2011, the majority of ACLU's money market accounts were in funds that invest solely in short-term direct government obligations, such as U.S. Treasury Bills, that are backed by the full faith and credit of the U.S. government.

In order to control market risk, the ACLU has an investment committee that oversees its investment portfolio and engages the services of independent investment consultants to perform due diligence services and ongoing evaluation of investment managers. The ACLU also routinely monitors the market risk of its investment portfolio via asset allocation formulas and confirmation of values with investment custodians.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 2. Summary of Significant Accounting Policies (Continued)

The clearing and depository operations for the ACLU's portfolio of investments held in managed accounts are provided principally by two financial institutions that hold approximately 93% of the total portfolio at March 31, 2011 and 91% at March 31, 2010.

Office Buildings, Furniture, Fixtures and Office Equipment: Office buildings, furniture, fixtures and office equipment are carried at cost, less accumulated depreciation. Depreciation is provided for 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.

Net Assets: 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. Temporarily restricted net assets consist of contributions that are restricted by donors for a specific time period and/or purpose. Permanently restricted net assets consist of endowment funds that are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust.

Endowment: When the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as permanently restricted. The ACLU historically recorded investment returns as temporarily restricted or unrestricted based on the purpose for which the endowment was created. On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The ACLU has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the ACLU in a manner consistent with the standard of prudence prescribed by NYPMIFA. As a result of this interpretation, the ACLU reclassified \$9,616,373 of accumulated income from unrestricted net assets to temporarily restricted net assets during 2011.

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.

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. Allowances 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 statements of activities as net assets released from restrictions.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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

Contributions of noncash assets are recorded at fair value in the period received.

Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

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. These services are recorded as revenue and expenses at fair value based on the attorneys' records of time spent and applicable billing rates.

A number of individuals have made a contribution of their time to serve on the ACLU's board. The value of their contributed time is not reflected in these consolidated financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

Bequests: The ACLU is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The ACLU's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Donor Concentration: Approximately 17% of the total grants, contributions and bequests revenue for the year ended March 31, 2011 were provided by one donor. In addition, approximately 64% of the pledges and contributions receivable at March 31, 2011 were due from two donors.

Approximately 21% of the total grants, contributions and bequests revenue for the year ended March 31, 2010 were provided by three donors. Pledges and contributions receivable from these three donors account for approximately 51% of the gross pledges and contributions receivable at March 31, 2010.

Functional Expenses: 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.

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 years ended March 31, 2011 and 2010 amounted to \$6,314,047 and \$4,097,310, respectively.

Legal Awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, legal fees and expenses may be awarded in certain legal actions. The amounts of these awards are the result of court determinations and/or negotiations between the parties to the matters. 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 FASB ASC 715, *Compensation - Retirement Benefits*, 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, FASB ASC 715 requires the measurement of plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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. The LLC is treated as a disregarded (tax) entity.

The Union and the Foundation file tax and information returns with the Internal Revenue Service and with various states.

Management evaluated the Union's and the Foundation's tax positions and concluded that each organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Union and the Foundation are no longer subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

At March 31, 2011, the Union has no unrecognized tax benefits and has recognized no interest or penalties related to taxes during either of the years ended March 31, 2011 and 2010. The Foundation has unrecognized tax benefits and has recognized interest and penalties associated with unrecognized tax benefits in the 2010 consolidated statement of activities.

Reclassifications: Certain accounts and amounts reported in the 2010 consolidated financial statements have been reclassified to conform to the 2011 financial statement presentation. The reclassifications had no effect on the reported assets, liabilities, net assets and changes in net assets as of and for the year ended March 31, 2010.

Evaluation of Subsequent Events: The ACLU evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the financial statements are available for issuance, which was October 19, 2011.

#### Note 3. Related Party Transactions

Amounts due from and to affiliates represent receivables and payables related to affiliate support and revenue sharing. Amounts due to affiliates include 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 the 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 \$5,390,466 and \$3,479,215 for the years ended March 31, 2011 and 2010, respectively.

During the years ended March 31, 2011 and 2010, the Foundation received approximately \$252,000 from the New York Civil Liberties Union, Inc. and the New York Civil Liberties Union Foundation, Inc. in payments for the use of space occupied at the Foundation's offices at 125 Broad Street.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 4. Pledges and Contributions Receivable

Pledges and contributions receivable that are expected to be collected after one year have been discounted at rates ranging from 3.25% to 8.0% and are reflected in the consolidated financial statements at their net present value.

Pledges and contributions receivable are comprised of the following at March 31:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	<b>\$ 35,089,191</b>	\$ 22,918,916
Receivable in one to five years	<b>3,451,957</b>	13,820,880
	<b>38,541,148</b>	36,739,796
Less loss on uncollectible pledge	<b>(250,000)</b>	(4,622,222)
Less discount to present value	<b>(393,809)</b>	(499,641)
<b>Total</b>	<b><u>\$ 37,897,339</u></b>	<b><u>\$ 31,617,933</u></b>

In addition to the contributions receivable noted above, a certain ACLU donor has confirmed his intentions to recommend annual contributions aggregating approximately \$10,000,000 at March 31, 2011 over a period of two to eight years from donor-advised funds. These anticipated contributions have not been recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition of contributions revenue under FASB ASC 958-605.

#### Note 5. Investments and Cash Equivalents

The following tables present the fair value hierarchy, based on the definitions provided in FASB ASC 820 and ASU 2009-12, of the ACLU's investments and cash equivalents that are measured on a recurring basis at March 31, 2011 and 2010:

American Civil Liberties Union, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

Note 5. Investments and Cash Equivalents (Continued)

	Total	Fair Value Measurements at March 31, 2011 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,583,385	\$ 2,583,385	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA	1,274,430	-	1,274,430	-
AA+	529,410	-	529,410	-
AA	251,538	-	251,538	-
A+	365,621	-	365,621	-
A	1,555,718	-	1,555,718	-
A-	502,415	-	502,415	-
BBB+	1,009,202	-	1,009,202	-
<b>Total corporate bonds</b>	<b>5,488,334</b>	<b>-</b>	<b>5,488,334</b>	<b>-</b>
U.S. Treasury Notes, agency and related	18,584,695	-	18,584,695	-
Mutual Funds:				
Large-cap U.S. equity	118,683,388	118,683,388	-	-
Small-/mid-cap U.S. equity	17,199,927	17,199,927	-	-
International equity	30,353,198	30,353,198	-	-
World stock	6,404,787	6,404,787	-	-
Balanced fund	1,288,658	1,288,658	-	-
Intermediate-term bond	38,761,779	38,761,779	-	-
Short-term bond	15,523,480	15,523,480	-	-
<b>Total mutual funds</b>	<b>228,215,217</b>	<b>228,215,217</b>	<b>-</b>	<b>-</b>
Common Trust Funds:				
Large-cap U.S. equity	5,862,739	-	5,862,739	-
Small-/mid-cap U.S. equity	1,448,882	-	1,448,882	-
International equity	1,801,351	-	1,801,351	-
Intermediate-term bond	4,846,610	-	4,846,610	-
<b>Total common trust funds</b>	<b>13,959,582</b>	<b>-</b>	<b>13,959,582</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	964,708	964,708	-	-
Small-/mid-cap U.S. equity	227,738	227,738	-	-
International equity	280,453	280,453	-	-
Short-term bond	5,172,884	5,172,884	-	-
<b>Total exchange-traded funds</b>	<b>6,645,783</b>	<b>6,645,783</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>275,476,996</b>	<b>237,444,385</b>	<b>38,032,611</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	6,111,363	6,111,363	-	-
<b>Total</b>	<b>\$ 281,588,359</b>	<b>\$ 243,555,748</b>	<b>\$ 38,032,611</b>	<b>\$ -</b>

American Civil Liberties Union, Inc. and Consolidated Entities

Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

Note 5. Investments and Cash Equivalents (Continued)

	Total	Fair Value Measurements at March 31, 2010 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,456,026	\$ 2,456,026	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA	1,292,925	-	1,292,925	-
AA+	546,250	-	546,250	-
AA	262,730	-	262,730	-
A+	375,981	-	375,981	-
A	2,374,884	-	2,374,884	-
A-	217,150	-	217,150	-
BBB+	980,504	-	980,504	-
<b>Total corporate bonds</b>	<b>6,050,424</b>	<b>-</b>	<b>6,050,424</b>	<b>-</b>
U.S. Treasury Notes, agency and related	17,034,386	-	17,034,386	-
Mutual Funds:				
Large-cap U.S. equity	98,184,500	98,184,500	-	-
Small-/mid-cap U.S. equity	18,329,672	18,329,672	-	-
International equity	27,980,627	27,980,627	-	-
World stock	5,600,424	5,600,424	-	-
Balanced fund	1,513,484	1,513,484	-	-
Intermediate-term bond	37,370,730	37,370,730	-	-
Short-term bond	14,940,922	14,940,922	-	-
<b>Total mutual funds</b>	<b>203,920,359</b>	<b>203,920,359</b>	<b>-</b>	<b>-</b>
Common Trust Funds:				
Large-cap U.S. equity	5,342,637	-	5,342,637	-
Small-/mid-cap U.S. equity	1,330,263	-	1,330,263	-
International equity	1,651,520	-	1,651,520	-
Intermediate-term bond	4,146,017	-	4,146,017	-
<b>Total common trust funds</b>	<b>12,470,437</b>	<b>-</b>	<b>12,470,437</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	880,042	880,042	-	-
Small-/mid-cap U.S. equity	175,804	175,804	-	-
International equity	246,032	246,032	-	-
Short-term bond	5,163,203	5,163,203	-	-
<b>Total exchange-traded funds</b>	<b>6,465,081</b>	<b>6,465,081</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>248,396,713</b>	<b>212,841,466</b>	<b>35,555,247</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	8,087,447	8,087,447	-	-
<b>Total</b>	<b>\$ 256,484,160</b>	<b>\$ 220,928,913</b>	<b>\$ 35,555,247</b>	<b>\$ -</b>

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 5. Investments and Cash Equivalents (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The ACLU's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Below are the valuation techniques used by the ACLU to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Investments in securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. U.S. government debt and corporate bonds are valued based on the last reported bid price provided by broker-dealers.

Investments in mutual funds and exchange-traded funds are stated at fair value based on quoted market prices.

Investments in common trust funds are reported at estimated fair value utilizing net asset values ("NAV") provided by the trustee of the common trust funds. In accordance with ASU 2009-12, the ACLU categorizes its investments in common trust funds which can be redeemed at NAV as a Level 2 fair value measurement because the ACLU had the ability to redeem the investments daily or monthly. There were no known or anticipated redemptions, no unfunded commitments, and no notice is required to sell the shares/units at any given time.

At March 31, 2011 and 2010, the ACLU did not have any financial instruments that are recorded at fair value on a nonrecurring basis. In addition, there was no change in valuation techniques used to measure the fair value of the assets.

The investments and cash equivalents are held for the following purposes:

	<u>2011</u>	<u>2010</u>
Bill of Rights Trust, inclusive of endowments of \$39,002,209 and \$38,787,654 at March 31, 2011 and 2010, respectively (Note 10)	<b>\$ 77,136,877</b>	\$ 72,551,947
Split-interest agreements (Note 7)	<b>18,111,298</b>	16,856,939
Special projects, program support and general operating reserves	<b><u>186,340,184</u></b>	<u>167,075,274</u>
	<b><u>\$281,588,359</u></b>	<b><u>\$ 256,484,160</u></b>

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

**Note 5. Investments and Cash Equivalents (Continued)**

Net investment gains and losses reported in the accompanying consolidated statements of activities consist of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 6,358,286	\$ 5,938,658
Net realized and unrealized gains and losses on investments	<u>25,101,220</u>	<u>61,183,299</u>
Total	<b>31,459,506</b>	67,121,957
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	<u>(2,420,379)</u>	<u>(5,185,272)</u>
Net investment gains and losses	<u><b>\$ 29,039,127</b></u>	<u>\$ 61,936,685</u>

Investment management and custodial fees amounted to approximately \$222,000 for 2011 and \$202,000 for 2010, and are included as other professional fees in the consolidated statement of functional expenses.

Subsequent to March 31, 2011, volatility experienced in the financial markets has resulted in a significant decline in fair value of certain investments. As of September 30, 2011, the fair value of the investment portfolio declined by approximately \$28,000,000 from March 31, 2011.

**Note 6. Office Buildings, Furniture, Fixtures and Office Equipment**

Office buildings, furniture, fixtures and office equipment consist of the following:

	<u>2011</u>	<u>2010</u>	<u>Range of Estimated Useful Life</u>
Office buildings and office condominium	\$ 47,239,622	\$ 45,921,096	10 to 50 years
Furniture, fixtures and office equipment	<u>2,431,632</u>	<u>2,147,446</u>	3 to 15 years
	<b>49,671,254</b>	48,068,542	
Less accumulated depreciation	<u>(15,020,621)</u>	<u>(11,797,824)</u>	
	<u><b>\$ 34,650,633</b></u>	<u>\$ 36,270,718</u>	

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 7. Split-Interest Agreements

The Foundation receives contributions through its 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 contributions 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 \$1,451,000 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 the 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 Foundation's split-interest agreements are as follows:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 274,921	\$ 226,955
Investments	<u>17,836,377</u>	<u>16,629,984</u>
<b>Total assets</b>	<b>18,111,298</b>	16,856,939
Liabilities under split-interest agreements	<u>11,203,259</u>	<u>11,261,514</u>
<b>Net assets</b>	<b><u>\$ 6,908,039</u></b>	<b><u>\$ 5,595,425</u></b>

Asset balances at March 31, 2011 and 2010 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 in the accompanying consolidated statements of financial position.

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 2.50% to 9.50% and the 1983A and 2000 Annuity Mortality Tables.

Beneficial interests in trusts ("BITS") are recorded based on the present value of the estimated future receipts from the trust discounted at 5%. This rate approximates the rates of return on U.S. government securities of similar duration and is commensurate with the risk that management associates with the ultimate collection of the trust. The initial gift and any subsequent adjustments to the non-perpetual BITS' carrying value are 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 statements of activities as changes in value of split-interest agreements.

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 8. IDA Bond Financing

In June 1997, the Foundation received financing of \$6,000,000 as a result of the 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, New York which units are 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 the IDA, the proceeds of which were delivered to the Foundation in order for the Foundation to pay for the redemption of the 1997 bonds, 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, New York (together with the 17th and 18th floor condominium units, the "Realty") and to finance renovation, improvements, equipping and furnishing of the 19th floor condominium unit (the Realty and all property 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. The letter of credit was amended March 1, 2010 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 redemption of the 2005 IDA bonds. Interest and other charges related to the 2005 IDA bonds were approximately \$242,000 and \$526,000 for the years ended March 31, 2011 and 2010, respectively.

The letter of credit agreement, as amended, 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, maintain a specified ratio of cash and cash equivalents to total commitment, and not incur any new indebtedness except as defined. The Foundation is currently in compliance with these covenants. 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 to lease the Premises to the IDA. Concurrently with the execution of the lease agreement, the IDA agreed to sell and assign its leasehold interest in the Premises to the Foundation on an installment basis as the Foundation makes payments due on the bonds. 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, 2011 and thereafter are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2012	\$ 445,000
2013	460,000
2014	480,000
2015	495,000
2016	515,000
Thereafter	<u>15,470,000</u>
	<u>\$ 17,865,000</u>

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 9. Mortgage Payable

The LLC, of which the Foundation is the sole member, assumed a mortgage payable to a financial institution for the purchase of property in Washington, D.C. at 915 15th Street. The mortgage is collateralized by the property in Washington, D.C. The mortgage is payable in monthly installments of \$31,249, including interest at 7.66%. Interest expense amounted to approximately \$307,000 and \$312,000 for the years ended March 31, 2011 and 2010, respectively.

On April 1, 2011, the Foundation made a final payment of \$3,908,089 on this mortgage.

#### 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 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. For the year ended March 31, 2011, the approved distribution amount was equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2010; for the year ended March 31, 2010, the approved distribution amount was equal to 4% of the average year-end value of total funds over the preceding three calendar years (e.g., at December 31, 2007, 2008 and 2009).

The investment goals of the Trust are to invest assets in a prudent manner that will balance reasonable annual distributions to the Foundation and Affiliate Foundations with long-term growth in the value of the assets of the Trust. At March 31, 2010, the Foundation's share of the net assets in the Trust is included in the unrestricted and permanently restricted net assets in the consolidated statements of financial position. With the enactment of NYPMIFA in September 2010 (Note 2), the Foundation's share of the net assets in the Trust is included in the temporarily and permanently restricted net assets in the consolidated statement of financial position at March 31, 2011. The Foundation's share of distributions is recorded as unrestricted support when received.

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

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**Note 10. The Bill of Rights Trust (Continued)**

At March 31, 2011 and 2010, the Trust was comprised of the following accounts and amounts that are included in the consolidated statements of financial position:

	<u>2011</u>	<u>2010</u>
Assets:		
Cash and cash equivalents	\$ 2,136,907	\$ 3,931,638
Investments	74,999,970	68,620,309
Pledges and contributions receivable	152,548	152,548
Other assets	236,145	676
	<u>\$ 77,525,570</u>	<u>\$ 72,705,171</u>
Liabilities and Net Assets:		
Held for Affiliate Foundations	\$ 24,521,136	\$ 22,495,290
Due to other funds	-	1,805,854
Unrestricted net assets (Note 2)	-	9,616,373
Temporarily restricted net assets (Note 2)	14,002,225	-
Permanently restricted net assets	39,002,209	38,787,654
	<u>\$ 77,525,570</u>	<u>\$ 72,705,171</u>

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

#### Note 10. The Bill of Rights Trust (Continued)

The following summarizes the endowment-related activities of the Trust for the years ended March 31, 2011 and 2010:

	2011			2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$9,616,373	\$ -	\$ 38,787,654	\$48,404,027	\$(1,842,937)	\$38,424,932	\$ 36,581,995
Investment Return:							
Interest and dividends	-	1,251,539	-	1,251,539	1,204,481	-	1,204,481
Net realized and unrealized gains on investments	-	4,972,293	-	4,972,293	12,129,076	-	12,129,076
Investment fees and expenses	-	(81,277)	-	(81,277)	(68,393)	-	(68,393)
Net investment return	-	6,142,555	-	6,142,555	13,265,164	-	13,265,164
Contributions			214,555	214,555	-	362,722	362,722
Appropriation of endowment assets for expenditures	-	(1,756,703)	-	(1,756,703)	(1,805,854)	-	(1,805,854)
Effect of NYPMIFA enactment - reclassification of unappropriated earnings on endowment (Note 2)	(9,616,373)	9,616,373	-	-	-	-	-
Endowment net assets, end of year	\$ -	\$14,002,225	\$ 39,002,209	\$53,004,434	\$ 9,616,373	\$38,787,654	\$ 48,404,027

#### 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 21 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 Employee Retirement Income Security Act of 1974 ("ERISA").

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

**Notes to Consolidated Financial Statements**

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**(with summarized comparative information as of and for the year ended March 31, 2010)**

**Note 12. Retirement Plans (Continued)**

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.

The following table sets forth the funded status, change in fund status and amounts recognized in the consolidated financial statements at March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation:		
Obligation, beginning of year	\$ 72,956,245	\$ 58,318,113
Service cost	4,237,984	3,404,769
Interest cost	4,453,950	4,098,032
Actuarial loss	4,369,305	8,685,263
Benefit payments and expected expenses	<u>(1,769,247)</u>	<u>(1,549,932)</u>
<b>Obligation, end of year</b>	<b><u>84,248,237</u></b>	<b><u>72,956,245</u></b>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	47,699,569	31,259,050
Actual return on plan assets	6,754,075	12,511,896
Employer contributions	2,566,938	5,563,514
Benefit payments and actual expenses	<u>(1,797,382)</u>	<u>(1,634,891)</u>
<b>Fair value of plan assets, end of year</b>	<b><u>55,223,200</u></b>	<b><u>47,699,569</u></b>
<b>Funded status, end of year</b>	<b><u>\$ (29,025,037)</u></b>	<b><u>\$ (25,256,676)</u></b>
Amounts Recognized as Liabilities in the Consolidated Statements of Financial Position	<b><u>\$ (29,025,037)</u></b>	<b><u>\$ (25,256,676)</u></b>
Amounts Recognized as Cumulative Changes in Pension Other than Net Periodic Costs:		
Net loss	<b><u>\$ (23,570,224)</u></b>	<b><u>\$ (23,133,063)</u></b>
Components of Net Benefit Cost:		
Components of net periodic pension cost:		
Service cost	\$ 4,237,984	\$ 3,404,769
Interest cost	4,453,950	4,098,032
Expected return on plan assets	(3,688,413)	(2,543,105)
Amortization of net loss	<u>894,617</u>	<u>1,203,975</u>
<b>Net periodic pension cost</b>	<b><u>5,898,138</u></b>	<b><u>6,163,671</u></b>
Changes in Pension Costs Other than Net Periodic Cost:		
Net (gain) loss	1,331,778	(1,198,569)
Amortization of net gain (loss)	<u>(894,617)</u>	<u>(1,203,975)</u>
<b>Other than net periodic cost</b>	<b><u>437,161</u></b>	<b><u>(2,402,544)</u></b>
<b>Net benefit cost</b>	<b><u>\$ 6,335,299</u></b>	<b><u>\$ 3,761,127</u></b>

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

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**Note 12. Retirement Plans (Continued)**

The net periodic pension costs of \$5,898,138 include \$3,506,952 of net periodic pension costs of affiliates' employees participating in the plan for the year ended March 31, 2011. For the plan year ended March 31, 2010, net periodic pension costs of \$6,163,671 include \$3,479,215 of net periodic pension cost of affiliates' employees participating in the plan (see Note 3).

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

	<u>2011</u>	<u>2010</u>
Weighted-average assumptions to determine benefit obligation as of March 31:		
Discount rate	<b>5.87%</b>	6.24%
Expected return on plan assets	<b>7.75%</b>	7.75%
Rate of compensation increase	<b>5.00%</b>	5.00%
Weighted-average assumptions to determine net benefit cost for the year ended March 31:		
Discount rate	<b>6.24%</b>	7.00%
Expected return on plan assets	<b>7.75%</b>	7.75%
Rate of compensation increase	<b>5.00%</b>	5.00%

As of March 31, 2011 and 2010, the accumulated benefit obligation of the Pension Plan was \$73,193,302 and \$62,707,183, respectively.

The ACLU expects to contribute approximately \$6,200,000 to the Pension Plan during the fiscal year ending March 31, 2012.

Estimated future benefit payments attributable to estimated future employee service in each of the five years subsequent to March 31, 2011 and in the aggregate subsequent to 2016 are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2012	\$ 2,617,435
2013	2,896,568
2014	3,289,110
2015	3,612,941
2016	3,877,135
Thereafter	25,624,354

An investment policy has been established to consider both the current and projected financial requirements of the plan. The plan relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The plan uses a balanced asset allocation including both equity-based and fixed income investments to achieve its long-term objectives of providing for long-term growth while maintaining an acceptable level of risk and sufficient liquidity to meet benefit payment obligations on a timely basis. 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

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

**Note 12. Retirement Plans (Continued)**

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 plan.

The fair value of the plan's investments at March 31, 2011 and 2010 by asset category is as follows:

		<u>Fair Value Measurements at March 31, 2011 Using</u>				
		<u>%</u>				
		<u>Allocation</u>	<u>Total</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Pooled Commingled Funds -						
Separate Accounts						
Equities:						
Large-U.S.-cap equities (b)	36%	\$ 19,770,794	\$ -	\$ 19,770,794	\$ -	
Small-/mid-U.S.-cap equities (b)	9%	5,075,450	-	5,075,450	-	
International equities (b)	15%	8,206,392	-	8,206,392	-	
Real Estate:						
Real estate securities (b)	2%	1,211,734	-	1,211,734	-	
Direct-owned U.S. commercial properties (a)	4%	2,021,256	-	-	2,021,256	
Fixed Income:						
High yield bonds (b)	3%	1,900,165	-	1,900,165	-	
Intermediate term bonds (b)	26%	14,194,874	-	14,194,874	-	
Inflation-protected bonds (b)	5%	2,842,535	-	2,842,535	-	
	<b>100%</b>	<b>\$ 55,223,200</b>	<b>\$ -</b>	<b>\$ 53,201,944</b>	<b>\$ 2,021,256</b>	
		<u>Fair Value Measurements at March 31, 2010 Using</u>				
		<u>%</u>				
		<u>Allocation</u>	<u>Total</u>	<u>Quoted Prices</u> <u>in Active</u> <u>Markets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Pooled Commingled Funds -						
Separate Accounts						
Equities:						
Large-U.S.-cap equities (b)	39%	\$ 18,843,712	\$ -	\$ 18,843,712	\$ -	
Small-/mid-U.S.-cap equities (b)	8%	3,744,229	-	3,744,229	-	
International equities (b)	14%	6,662,341	-	6,662,341	-	
Real Estate:						
Real estate securities (b)	2%	1,140,363	-	1,140,363	-	
Direct-owned U.S. commercial properties (a)	4%	1,695,001	-	-	1,695,001	
Fixed Income:						
High yield bonds (b)	5%	2,251,180	-	2,251,180	-	
Intermediate term bonds (b)	23%	10,936,757	-	10,936,757	-	
Inflation-protected bonds (b)	5%	2,425,986	-	2,425,986	-	
	<b>100%</b>	<b>\$ 47,699,569</b>	<b>\$ -</b>	<b>\$ 46,004,568</b>	<b>\$ 1,695,001</b>	

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

### Notes to Consolidated Financial Statements

March 31, 2011

(with summarized comparative information as of and for the year ended March 31, 2010)

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#### Note 12. Retirement Plans (Continued)

- (a) This category consists of real estate investment options that seek favorable long-term returns primarily through rental income and appreciation of real estate investments owned by the account. The account purchases direct ownership interests in income-producing real estate, such as office, industrial, retail and multi-family residential properties. It may also hold other real estate or real estate related investments through joint ventures, real estate partnerships or real estate investment trusts. Redemption or withdrawal of funds is determined based on whether the account has sufficient liquidity available to make distributions. There are no known or anticipated redemptions, no unfunded commitments and no notice is required to sell the shares/units at any given time.
- (b) There are no known or anticipated redemptions, no unfunded commitments and no notice is required to sell the shares/units at any given time.

The table below sets forth a summary of changes in the fair value of the Pension Plan's Level 3 assets for the years ended March 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 1,695,001	\$ 2,174,398
Net investment gain (loss)	<u>326,255</u>	<u>(479,397)</u>
Balance, end of year	<u>\$ 2,021,256</u>	<u>\$ 1,695,001</u>

As of September 30, 2011, the fair value of the Pension Plan's investments declined by approximately \$1,600,000 from March 31, 2011 due to volatility experienced in the financial markets.

The Union implemented a "soft freeze" of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009 by the National Office and the 44 affiliates that elected to participate in the soft freeze enrolled in a new Defined Contribution ("DC") 401(k) plan. The new DC plan includes an employer contribution of 2% and an employer match of 100% of the first 1% of the employee's contribution and 50% of the next 5% of an employee's contribution, for a total match of 3.5% and a total employer contribution of 5.5%. The soft freeze applies only to employees hired on or after April 1, 2009, and does not affect current plan participants, or employees hired before March 31, 2009 but not yet in the plan. The ACLU contributed \$161,755 in 2011 and \$38,519 in 2010 to this new DC 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 dollar limits. There is no employer match or other contributions.

The Union also maintains an unfunded, nonqualified 457(b) plan for certain eligible employees. Effective April 8, 2011, eligible employees of the Foundation can participate in this 457(b) plan.

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

**Note 13. Net Assets**

Net assets at March 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Bill of Rights Trust (Note 2)	<u>\$ -</u>	<u>\$ 9,616,373</u>
Undesignated	<u>29,220,844</u>	<u>34,255,059</u>
Board-designated:		
Litigation Fund	13,901,824	13,750,045
California Annuity Fund	550,176	510,610
Annuity Reserve	5,658,584	4,331,605
Development Fund	25,257,531	26,793,226
Jacobs Affiliate Development Fund	18,394,706	18,675,309
Dividend Distribution Fund	69,198,208	48,827,610
John Adams Fund	<u>11,517,968</u>	<u>11,836,349</u>
<b>Total board-designated</b>	<u>144,478,997</u>	<u>124,724,754</u>
<b>Total unrestricted</b>	<u>173,699,841</u>	<u>168,596,186</u>
Temporarily Restricted:		
Bill of Rights Trust (Note 2)	14,002,225	-
Donor-restricted funds/special projects	30,278,404	25,683,104
Trusts	1,251,239	1,040,694
Time-restricted gifts	<u>23,311,728</u>	<u>19,706,401</u>
<b>Total temporarily restricted</b>	<u>68,843,596</u>	<u>46,430,199</u>
Permanently Restricted - Bill of Rights Trust	<u>39,002,209</u>	<u>38,787,654</u>
<b>Total net assets</b>	<u><u>\$ 281,545,646</u></u>	<u><u>\$ 253,814,039</u></u>

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

**Notes to Consolidated Financial Statements**

**March 31, 2011**

**(with summarized comparative information as of and for the year ended March 31, 2010)**

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**Note 14. Net Assets Released From Restrictions**

Net assets were released from donor restrictions during the year ended March 31, 2011 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

Special Projects:

Capital Punishment Project	\$ 898,107
Prisoners' Rights	544,189
Immigrants' Rights	2,873,668
Reproductive Freedom	1,034,127
Women's Rights	203,732
Drug Litigation Reform	1,056,600
Gay Rights	1,493,515
Voting Rights	859,783
Other special projects	<u>6,355,715</u>
Total special projects	15,319,436
Bill of Rights Trust	1,756,703
Time-Restricted Gifts	<u>4,119,000</u>
Total released from restrictions	<u>\$ 21,195,139</u>

**Note 15. 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 detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the ACLU's consolidated financial statements as of and for the year ended March 31, 2010, from which the summarized information was derived.

American Civil Liberties Union, Inc. and Consolidated Entities

Supplementary Information

Consolidating Statement of Financial Position

March 31, 2011

See Independent Auditor's Report

	American Civil Liberties Union, Inc.	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$2,136,907)	\$ 2,130,023	\$ 24,355,649	\$ 126,951	\$ -	\$ 26,612,623
Pledges and Contributions Receivable, net	2,089,963	35,807,376	-	-	37,897,339
Investments	436,125	275,040,871	-	-	275,476,996
Other Assets	614,456	1,739,786	-	-	2,354,242
Due From Affiliates	5,940,315	3,847,659	-	-	9,787,974
Due From the ACLU Foundation, Inc. and 915 15th Street, LLC	14,633,619	-	-	(14,633,619)	-
Investment in 915 15th Street, LLC	-	(1,129,221)	-	1,129,221	-
Beneficial Interest in Trusts	-	555,174	-	-	555,174
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	-	25,458,040	9,192,593	-	34,650,633
<b>Total assets</b>	<b>\$ 25,844,501</b>	<b>\$ 365,675,334</b>	<b>\$ 9,319,544</b>	<b>\$ (13,504,398)</b>	<b>\$ 387,334,981</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,556,814	\$ 2,443,283	\$ 47,204	\$ -	\$ 4,047,301
Due to the American Civil Liberties Union, Inc.	-	8,140,147	6,493,472	(14,633,619)	-
Due to affiliates	2,553,977	12,665,536	-	-	15,219,513
Liabilities under split-interest agreements	-	11,203,259	-	-	11,203,259
IDA bond	-	17,865,000	-	-	17,865,000
Mortgage payable	-	-	3,908,089	-	3,908,089
Bill of Rights Trust held for affiliates	-	24,521,136	-	-	24,521,136
Accrued pension liability	29,025,037	-	-	-	29,025,037
<b>Total liabilities</b>	<b>33,135,828</b>	<b>76,838,361</b>	<b>10,448,765</b>	<b>(14,633,619)</b>	<b>105,789,335</b>
Commitments and Contingency					
Net Assets:					
Unrestricted:					
Board-designated	10,032,447	134,446,550	-	-	144,478,997
Undesignated	(20,473,701)	49,694,545	(1,129,221)	1,129,221	29,220,844
<b>Total unrestricted</b>	<b>(10,441,254)</b>	<b>184,141,095</b>	<b>(1,129,221)</b>	<b>1,129,221</b>	<b>173,699,841</b>
Temporarily restricted:					
Bill of Rights Trust	-	14,002,225	-	-	14,002,225
Other time and purpose restrictions	3,149,927	51,691,444	-	-	54,841,371
<b>Total temporarily restricted</b>	<b>3,149,927</b>	<b>65,693,669</b>	<b>-</b>	<b>-</b>	<b>68,843,596</b>
Permanently restricted -					
Bill of Rights Trust	-	39,002,209	-	-	39,002,209
<b>Total net assets</b>	<b>(7,291,327)</b>	<b>288,836,973</b>	<b>(1,129,221)</b>	<b>1,129,221</b>	<b>281,545,646</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,844,501</b>	<b>\$ 365,675,334</b>	<b>\$ 9,319,544</b>	<b>\$ (13,504,398)</b>	<b>\$ 387,334,981</b>

American Civil Liberties Union, Inc. and Consolidated Entities

Supplementary Information

Consolidating Statement of Financial Position

March 31, 2010

See Independent Auditor's Report

	American Civil Liberties Union, Inc.	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$3,931,638)	\$ 3,201,905	\$ 21,743,979	\$ 513,983	\$ -	\$ 25,459,867
Pledges and Contributions Receivable, net	2,280,482	29,337,451	-	-	31,617,933
Investments	1,535,787	246,860,926	-	-	248,396,713
Other Assets	279,674	2,306,427	11,595	-	2,597,696
Due From Affiliates	3,828,429	7,353,387	-	-	11,181,816
Due From the ACLU Foundation, Inc. and 915 15th Street, LLC	9,186,809	-	-	(9,186,809)	-
Investment in 915 15th Street, LLC	-	(899,898)	-	899,898	-
Beneficial Interest in Trusts	-	287,484	-	-	287,484
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	-	27,220,803	9,049,915	-	36,270,718
<b>Total assets</b>	<b>\$ 20,313,086</b>	<b>\$ 334,210,559</b>	<b>\$ 9,575,493</b>	<b>\$ (8,286,911)</b>	<b>\$ 355,812,227</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued expenses Due to the American Civil Liberties Union, Inc.	\$ 841,894	\$ 1,855,208	\$ 568,628	\$ -	\$ 3,265,730
Due to affiliates	-	1,265,596	5,930,200	(7,195,796)	-
Liabilities under split-interest agreements	2,255,214	15,197,201	-	-	17,452,415
IDA bond	-	11,261,514	-	-	11,261,514
Mortgage payable	-	18,290,000	-	-	18,290,000
Bill of Rights Trust held for affiliates	-	-	3,976,563	-	3,976,563
Accrued pension liability	-	22,495,290	-	-	22,495,290
	25,256,676	1,991,013	-	(1,991,013)	25,256,676
<b>Total liabilities</b>	<b>28,353,784</b>	<b>72,355,822</b>	<b>10,475,391</b>	<b>(9,186,809)</b>	<b>101,998,188</b>
Commitments and Contingency					
Net Assets:					
Unrestricted:					
Bill of Rights Trust	-	9,616,373	-	-	9,616,373
Board-designated	8,560,410	116,164,344	-	-	124,724,754
Undesignated	(18,466,225)	52,721,284	(899,898)	899,898	34,255,059
<b>Total unrestricted</b>	<b>(9,905,815)</b>	<b>178,502,001</b>	<b>(899,898)</b>	<b>899,898</b>	<b>168,596,186</b>
Temporarily restricted	1,865,117	44,565,082	-	-	46,430,199
Permanently restricted - Bill of Rights Trust	-	38,787,654	-	-	38,787,654
<b>Total net assets</b>	<b>(8,040,698)</b>	<b>261,854,737</b>	<b>(899,898)</b>	<b>899,898</b>	<b>253,814,039</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,313,086</b>	<b>\$ 334,210,559</b>	<b>\$ 9,575,493</b>	<b>\$ (8,286,911)</b>	<b>\$ 355,812,227</b>

American Civil Liberties Union, Inc. and Consolidated Entities

Supplementary Information

Consolidating Statement of Activities  
Year Ended March 31, 2011  
See Independent Auditor's Report

	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	\$ 20,574,298	\$ -	\$ 20,574,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,574,298	\$ -	\$ -	\$ 20,574,298
New member contributions	3,506,308	-	3,506,308	-	-	-	-	-	-	3,506,308	-	-	3,506,308
Grants and contributions	865,086	1,289,054	2,154,140	26,794,604	24,454,288	214,555	51,463,447	-	(400,000)	27,659,690	25,343,342	214,555	53,217,587
Donated legal services	-	-	-	10,581,619	-	-	10,581,619	-	-	10,581,619	-	-	10,581,619
Bequests	3,207,245	1,382,756	4,590,001	12,191,491	1,067,498	-	13,258,989	-	-	15,398,736	2,450,254	-	17,848,990
<b>Total support</b>	<b>28,152,937</b>	<b>2,671,810</b>	<b>30,824,747</b>	<b>49,567,714</b>	<b>25,521,786</b>	<b>214,555</b>	<b>75,304,055</b>	<b>-</b>	<b>(400,000)</b>	<b>77,720,651</b>	<b>27,793,596</b>	<b>214,555</b>	<b>105,728,802</b>
Revenue:													
List rentals	61,128	-	61,128	-	-	-	-	-	-	61,128	-	-	61,128
Rental income	-	-	-	969,565	-	-	969,565	1,299,944	(1,745,143)	524,366	-	-	524,366
Pamphlet and book sales	-	-	-	14,816	-	-	14,816	-	-	14,816	-	-	14,816
Other income	18,242	-	18,242	36,836	-	-	36,836	-	-	55,078	-	-	55,078
<b>Total revenue</b>	<b>79,370</b>	<b>-</b>	<b>79,370</b>	<b>1,021,217</b>	<b>-</b>	<b>-</b>	<b>1,021,217</b>	<b>1,299,944</b>	<b>(1,745,143)</b>	<b>655,388</b>	<b>-</b>	<b>-</b>	<b>655,388</b>
Net Assets Released From Restrictions	1,387,000	(1,387,000)	-	20,208,139	(20,208,139)	-	-	-	-	21,195,139	(21,195,139)	-	-
<b>Total support and revenue</b>	<b>29,619,307</b>	<b>1,284,810</b>	<b>30,904,117</b>	<b>70,797,070</b>	<b>5,313,647</b>	<b>214,555</b>	<b>76,325,272</b>	<b>1,299,944</b>	<b>(2,145,143)</b>	<b>99,571,178</b>	<b>6,598,457</b>	<b>214,555</b>	<b>106,384,190</b>
Expenses:													
Program services:													
Legislative	1,458,309	-	1,458,309	697,252	-	-	697,252	-	(151,929)	2,003,632	-	-	2,003,632
Legal	437,000	-	437,000	33,559,963	-	-	33,559,963	-	(1,106,009)	32,890,954	-	-	32,890,954
Public education	12,032,999	-	12,032,999	9,207,006	-	-	9,207,006	-	(530,403)	20,709,602	-	-	20,709,602
Civil liberties policy formulation	407,602	-	407,602	1,389,344	-	-	1,389,344	-	(32,599)	1,764,347	-	-	1,764,347
Affiliate support	11,938,918	-	11,938,918	26,579,400	-	-	26,579,400	-	(94,514)	38,423,804	-	-	38,423,804
<b>Total program services</b>	<b>26,274,828</b>	<b>-</b>	<b>26,274,828</b>	<b>71,432,965</b>	<b>-</b>	<b>-</b>	<b>71,432,965</b>	<b>-</b>	<b>(1,915,454)</b>	<b>95,792,339</b>	<b>-</b>	<b>-</b>	<b>95,792,339</b>
Supporting services:													
Management and general	1,242,110	-	1,242,110	2,320,863	-	-	2,320,863	1,529,267	(90,661)	5,001,579	-	-	5,001,579
Fund-raising	2,300,953	-	2,300,953	6,012,884	-	-	6,012,884	-	(139,028)	8,174,809	-	-	8,174,809
<b>Total supporting services</b>	<b>3,543,063</b>	<b>-</b>	<b>3,543,063</b>	<b>8,333,747</b>	<b>-</b>	<b>-</b>	<b>8,333,747</b>	<b>1,529,267</b>	<b>(229,689)</b>	<b>13,176,388</b>	<b>-</b>	<b>-</b>	<b>13,176,388</b>
<b>Total expenses</b>	<b>29,817,891</b>	<b>-</b>	<b>29,817,891</b>	<b>79,766,712</b>	<b>-</b>	<b>-</b>	<b>79,766,712</b>	<b>1,529,267</b>	<b>(2,145,143)</b>	<b>108,968,727</b>	<b>-</b>	<b>-</b>	<b>108,968,727</b>
<b>Change in net assets before other changes</b>	<b>(198,584)</b>	<b>1,284,810</b>	<b>1,086,226</b>	<b>(8,969,642)</b>	<b>5,313,647</b>	<b>214,555</b>	<b>(3,441,440)</b>	<b>(229,323)</b>	<b>-</b>	<b>(9,397,549)</b>	<b>6,598,457</b>	<b>214,555</b>	<b>(2,584,537)</b>
Other Changes in Net Assets:													
Legal expenses awarded, net	-	-	-	2,189,804	-	-	2,189,804	-	-	2,189,804	-	-	2,189,804
Net investment income, gains and losses	100,306	-	100,306	22,527,214	6,411,607	-	28,938,821	-	-	22,627,520	6,411,607	-	29,039,127
Changes in value of split-interest agreements	-	-	-	(262,586)	36,960	-	(225,626)	-	-	(262,586)	36,960	-	(225,626)
Net loss on investment in 915 15th Street, LLC	-	-	-	(229,323)	-	-	(229,323)	-	229,323	-	-	-	-
Loss on uncollectible pledge	-	-	-	-	(250,000)	-	(250,000)	-	-	-	(250,000)	-	(250,000)
Minimum pension liability adjustment	(437,161)	-	(437,161)	-	-	-	-	-	-	(437,161)	-	-	(437,161)
<b>Total other changes in net assets</b>	<b>(336,855)</b>	<b>-</b>	<b>(336,855)</b>	<b>24,225,109</b>	<b>6,198,567</b>	<b>-</b>	<b>30,423,676</b>	<b>-</b>	<b>229,323</b>	<b>24,117,577</b>	<b>6,198,567</b>	<b>-</b>	<b>30,316,144</b>
<b>Change in net assets before the effect of NYPMIFA enactment</b>	<b>(535,439)</b>	<b>1,284,810</b>	<b>749,371</b>	<b>15,255,467</b>	<b>11,512,214</b>	<b>214,555</b>	<b>26,982,236</b>	<b>(229,323)</b>	<b>229,323</b>	<b>14,720,028</b>	<b>12,797,024</b>	<b>214,555</b>	<b>27,731,607</b>
Effect of NYPMIFA enactment - reclassification of unappropriated earnings on endowment (Note 2)	-	-	-	(9,616,373)	9,616,373	-	-	-	-	(9,616,373)	9,616,373	-	-
<b>Change in net assets</b>	<b>(535,439)</b>	<b>1,284,810</b>	<b>749,371</b>	<b>5,639,094</b>	<b>21,128,587</b>	<b>214,555</b>	<b>26,982,236</b>	<b>(229,323)</b>	<b>229,323</b>	<b>5,103,655</b>	<b>22,413,397</b>	<b>214,555</b>	<b>27,731,607</b>
Net Assets:													
Beginning	(9,905,815)	1,865,117	(8,040,698)	178,502,001	44,565,082	38,787,654	261,854,737	(899,898)	899,898	168,596,186	46,430,199	38,787,654	253,814,039
Ending	\$ (10,441,254)	\$ 3,149,927	\$ (7,291,327)	\$ 184,141,095	\$ 65,693,669	\$ 39,002,209	\$ 288,836,973	\$ (1,129,221)	\$ 1,129,221	\$ 173,699,841	\$ 68,843,596	\$ 39,002,209	\$ 281,545,646

American Civil Liberties Union, Inc. and Consolidated Entities

Supplementary Information

Consolidating Statement of Activities

Year Ended March 31, 2010

See Independent Auditor's Report

	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	\$ 21,462,861	\$ -	\$ 21,462,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,462,861	\$ -	\$ -	\$ 21,462,861
New member contributions	3,410,217	-	3,410,217	-	-	-	-	-	-	3,410,217	-	-	3,410,217
Grants and contributions	1,691,179	1,500,000	3,191,179	25,943,958	22,726,145	109,597	48,779,700	-	-	27,635,137	24,226,145	109,597	51,970,879
Donated legal services	-	-	-	5,518,497	-	-	5,518,497	-	-	5,518,497	-	-	5,518,497
Bequests	4,338,535	285,000	4,623,535	28,240,313	934,864	253,125	29,428,302	-	-	32,578,848	1,219,864	253,125	34,051,837
<b>Total support</b>	<b>30,902,792</b>	<b>1,785,000</b>	<b>32,687,792</b>	<b>59,702,768</b>	<b>23,661,009</b>	<b>362,722</b>	<b>83,726,499</b>	<b>-</b>	<b>-</b>	<b>90,605,560</b>	<b>25,446,009</b>	<b>362,722</b>	<b>116,414,291</b>
Revenue:													
List rentals	61,595	-	61,595	-	-	-	-	-	-	61,595	-	-	61,595
Rental income	-	-	-	527,428	-	-	527,428	1,013,872	(930,451)	610,849	-	-	610,849
Pamphlet and book sales	10,657	-	10,657	-	-	-	-	-	-	10,657	-	-	10,657
Other income	-	-	-	49,404	-	-	49,404	-	-	49,404	-	-	49,404
<b>Total revenue</b>	<b>72,252</b>	<b>-</b>	<b>72,252</b>	<b>576,832</b>	<b>-</b>	<b>-</b>	<b>576,832</b>	<b>1,013,872</b>	<b>(930,451)</b>	<b>732,505</b>	<b>-</b>	<b>-</b>	<b>732,505</b>
Net Assets Released From Restrictions	5,000	(5,000)	-	30,865,119	(30,865,119)	-	-	-	-	30,870,119	(30,870,119)	-	-
<b>Total support and revenue</b>	<b>30,980,044</b>	<b>1,780,000</b>	<b>32,760,044</b>	<b>91,144,719</b>	<b>(7,204,110)</b>	<b>362,722</b>	<b>84,303,331</b>	<b>1,013,872</b>	<b>(930,451)</b>	<b>122,208,184</b>	<b>(5,424,110)</b>	<b>362,722</b>	<b>117,146,796</b>
Expenses:													
Program services:													
Legislative	2,665,260	-	2,665,260	-	-	-	-	-	-	2,665,260	-	-	2,665,260
Legal	-	-	-	29,557,992	-	-	29,557,992	-	(473,306)	29,084,686	-	-	29,084,686
Public education	11,101,609	-	11,101,609	10,148,602	-	-	10,148,602	-	(171,098)	21,079,113	-	-	21,079,113
Civil liberties policy formulation	618,872	-	618,872	930,269	-	-	930,269	-	(8,237)	1,540,904	-	-	1,540,904
Affiliate support	11,995,535	-	11,995,535	29,936,570	-	-	29,936,570	-	(55,689)	41,876,416	-	-	41,876,416
<b>Total program services</b>	<b>26,381,276</b>	<b>-</b>	<b>26,381,276</b>	<b>70,573,433</b>	<b>-</b>	<b>-</b>	<b>70,573,433</b>	<b>-</b>	<b>(708,330)</b>	<b>96,246,379</b>	<b>-</b>	<b>-</b>	<b>96,246,379</b>
Supporting services:													
Management and general	1,187,644	-	1,187,644	2,552,663	-	-	2,552,663	1,337,673	(119,069)	4,958,911	-	-	4,958,911
Fund-raising	2,843,767	-	2,843,767	6,746,031	-	-	6,746,031	-	(103,052)	9,486,746	-	-	9,486,746
<b>Total supporting services</b>	<b>4,031,411</b>	<b>-</b>	<b>4,031,411</b>	<b>9,298,694</b>	<b>-</b>	<b>-</b>	<b>9,298,694</b>	<b>1,337,673</b>	<b>(222,121)</b>	<b>14,445,657</b>	<b>-</b>	<b>-</b>	<b>14,445,657</b>
<b>Total expenses</b>	<b>30,412,687</b>	<b>-</b>	<b>30,412,687</b>	<b>79,872,127</b>	<b>-</b>	<b>-</b>	<b>79,872,127</b>	<b>1,337,673</b>	<b>(930,451)</b>	<b>110,692,036</b>	<b>-</b>	<b>-</b>	<b>110,692,036</b>
<b>Change in net assets before other changes</b>	<b>567,357</b>	<b>1,780,000</b>	<b>2,347,357</b>	<b>11,272,592</b>	<b>(7,204,110)</b>	<b>362,722</b>	<b>4,431,204</b>	<b>(323,801)</b>	<b>-</b>	<b>11,516,148</b>	<b>(5,424,110)</b>	<b>362,722</b>	<b>6,454,760</b>
Other Changes in Net Assets:													
Legal expenses awarded, net	-	-	-	4,246,555	-	-	4,246,555	-	-	4,246,555	-	-	4,246,555
Net investment income, gains and losses	537,997	-	537,997	60,719,710	678,978	-	61,398,688	-	-	61,257,707	678,978	-	61,936,685
Changes in value of split-interest agreements	-	-	-	(651,580)	(228,857)	-	(880,437)	-	-	(651,580)	(228,857)	-	(880,437)
Net loss on investment in 915 15th Street, LLC	-	-	-	(323,801)	-	-	(323,801)	-	323,801	-	-	-	-
Loss on uncollectible pledge	-	-	-	-	(4,622,222)	-	(4,622,222)	-	-	-	(4,622,222)	-	(4,622,222)
Minimum pension liability adjustment	2,402,544	-	2,402,544	-	-	-	-	-	-	2,402,544	-	-	2,402,544
<b>Total other changes in net assets</b>	<b>2,940,541</b>	<b>-</b>	<b>2,940,541</b>	<b>63,990,884</b>	<b>(4,172,101)</b>	<b>-</b>	<b>59,818,783</b>	<b>-</b>	<b>323,801</b>	<b>67,255,226</b>	<b>(4,172,101)</b>	<b>-</b>	<b>63,083,125</b>
<b>Change in net assets</b>	<b>3,507,898</b>	<b>1,780,000</b>	<b>5,287,898</b>	<b>75,263,476</b>	<b>(11,376,211)</b>	<b>362,722</b>	<b>64,249,987</b>	<b>(323,801)</b>	<b>323,801</b>	<b>78,771,374</b>	<b>(9,596,211)</b>	<b>362,722</b>	<b>69,537,885</b>
Net Assets:													
Beginning	(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
Ending	\$ (9,905,815)	\$ 1,865,117	\$ (8,040,698)	\$ 178,502,001	\$ 44,565,082	\$ 38,787,654	\$ 261,854,737	\$ (899,898)	\$ 899,898	\$ 168,596,186	\$ 46,430,199	\$ 38,787,654	\$ 253,814,039