

# American Civil Liberties Union Inc. and Consolidated Entities

Consolidated Financial Report

March 31, 2013



Assurance ■ Tax ■ Consulting

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of American Civil Liberties Union, Inc. (the "Union") and consolidated entities (collectively, the "American Civil Liberties Union" or the "ACLU"), which comprise the consolidated statement of financial position as of March 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2013 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the consolidated financial statements of the American Civil Liberties Union and consolidated entities as of and for the year ended March 31, 2012, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*McGladrey LLP*

New York, New York  
September 30, 2013

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

**Consolidated Statements of Financial Position  
March 31, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$2,489,153 and \$1,938,993 at March 31, 2013 and 2012, respectively)	\$ 18,843,733	\$ 32,421,580
Pledges and Contributions Receivable, net	13,964,153	17,572,711
Investments	275,147,000	264,186,023
Other Assets	1,967,621	2,381,922
Due From Affiliates	11,978,798	9,500,225
Beneficial Interest in Trusts	536,563	545,490
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	<u>30,628,076</u>	<u>32,576,710</u>
<b>Total assets</b>	<b><u>\$ 353,065,944</u></b>	<b><u>\$ 359,184,661</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,669,166	\$ 4,098,685
Due to affiliates	7,404,954	8,256,287
Liabilities under split-interest agreements	12,350,901	11,895,316
IDA bond	15,710,000	16,170,000
Bill of Rights Trust held for affiliates	25,396,610	24,109,829
Accrued pension liability	<u>46,810,528</u>	<u>42,266,513</u>
<b>Total liabilities</b>	<b><u>113,342,159</u></b>	<b><u>106,796,630</u></b>
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Board-designated	140,020,349	137,732,353
Cumulative minimum pension liability adjustment	(43,527,089)	(38,717,632)
Undesignated	<u>47,503,777</u>	<u>48,551,512</u>
<b>Total unrestricted</b>	<b><u>143,997,037</u></b>	<b><u>147,566,233</u></b>
Temporarily restricted:		
Bill of Rights Trust and other endowments	15,226,487	12,667,820
Other time and purpose restrictions	<u>39,935,006</u>	<u>51,800,643</u>
<b>Total temporarily restricted</b>	<b><u>55,161,493</u></b>	<b><u>64,468,463</u></b>
Permanently restricted - Bill of Rights Trust and other endowments	<u>40,565,255</u>	<u>40,353,335</u>
<b>Total net assets</b>	<b><u>239,723,785</u></b>	<b><u>252,388,031</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 353,065,944</u></b>	<b><u>\$ 359,184,661</u></b>

See Notes to Consolidated Financial Statements.

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidated Statement of Activities

Year Ended March 31, 2013

(with summarized comparative information for the year ended March 31, 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue:					
Support:					
Current member contributions	\$ 21,810,293	\$ -	\$ -	\$ 21,810,293	\$ 21,687,212
New member contributions	3,820,581	-	-	3,820,581	4,367,598
Grants and contributions	25,864,241	16,764,082	211,920	42,840,243	49,845,365
Donated legal services	16,135,081	-	-	16,135,081	7,960,818
Bequests	17,541,123	646,390	-	18,187,513	15,825,831
<b>Total support</b>	<b>85,171,319</b>	<b>17,410,472</b>	<b>211,920</b>	<b>102,793,711</b>	<b>99,686,824</b>
Revenue:					
List rentals	103,031	-	-	103,031	138,380
Rental income	597,144	-	-	597,144	1,005,407
Pamphlet and book sales	28,490	-	-	28,490	8,482
Other income	71,410	-	-	71,410	56,649
<b>Total revenue</b>	<b>800,075</b>	<b>-</b>	<b>-</b>	<b>800,075</b>	<b>1,208,918</b>
Net Assets Released From Restrictions	31,115,054	(31,115,054)	-	-	-
<b>Total support and revenue</b>	<b>117,086,448</b>	<b>(13,704,582)</b>	<b>211,920</b>	<b>103,593,786</b>	<b>100,895,742</b>
Expenses:					
Program services:					
Legislative	6,168,737	-	-	6,168,737	5,205,384
Legal	45,513,722	-	-	45,513,722	31,644,009
Public education	20,460,833	-	-	20,460,833	20,443,766
Civil liberties policy formulation	758,363	-	-	758,363	739,053
Affiliate support	38,259,369	-	-	38,259,369	37,980,541
<b>Total program services</b>	<b>111,161,024</b>	<b>-</b>	<b>-</b>	<b>111,161,024</b>	<b>96,012,753</b>
Supporting services:					
Management and general	5,614,109	-	-	5,614,109	5,506,496
Fund-raising	9,475,093	-	-	9,475,093	9,198,916
<b>Total supporting services</b>	<b>15,089,202</b>	<b>-</b>	<b>-</b>	<b>15,089,202</b>	<b>14,705,412</b>
<b>Total expenses</b>	<b>126,250,226</b>	<b>-</b>	<b>-</b>	<b>126,250,226</b>	<b>110,718,165</b>
<b>Change in net assets before other changes</b>	<b>(9,163,778)</b>	<b>(13,704,582)</b>	<b>211,920</b>	<b>(22,656,440)</b>	<b>(9,822,423)</b>
Other Changes in Net Assets:					
Legal expenses awarded, net	2,333,073	-	-	2,333,073	2,374,888
Net investment income, gains and losses	8,800,863	4,543,100	-	13,343,963	(5,644,936)
Changes in value of split-interest agreements	(729,897)	(145,488)	-	(875,385)	(917,736)
Minimum pension liability adjustment	(4,809,457)	-	-	(4,809,457)	(15,147,408)
<b>Total other changes in net assets</b>	<b>5,594,582</b>	<b>4,397,612</b>	<b>-</b>	<b>9,992,194</b>	<b>(19,335,192)</b>
<b>Change in net assets</b>	<b>(3,569,196)</b>	<b>(9,306,970)</b>	<b>211,920</b>	<b>(12,664,246)</b>	<b>(29,157,615)</b>
Net Assets:					
Beginning	147,566,233	64,468,463	40,353,335	252,388,031	281,545,646
Ending	\$ 143,997,037	\$ 55,161,493	\$ 40,565,255	\$ 239,723,785	\$ 252,388,031

See Notes to Consolidated Financial Statements.

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidated Statement of Functional Expenses

Year Ended March 31, 2013

(with summarized comparative information for the year ended March 31, 2012)

	2013						2012				Summarized Comparative Information
	Program Services					Supporting Services					
	Legislative	Legal	Civil Liberties		Affiliate Support	Total Program Services	Management and General	Fund-Raising	Total Supporting		
Public Education			Policy Formulation	Services					Services		
Salaries	\$ 3,089,538	\$ 12,875,176	\$ 4,125,010	\$ 384,196	\$ 3,328,763	\$ 23,802,683	\$ 2,458,476	\$ 4,049,687	\$ 6,508,163	\$ 30,310,846	\$ 26,867,060
Employee benefits	954,727	4,138,045	1,516,429	125,881	1,077,972	7,813,054	924,437	1,247,297	2,171,734	9,984,788	9,323,119
Rent and occupancy	520,098	883,290	741,844	34,782	165,106	2,345,120	426,032	307,314	733,346	3,078,466	2,831,873
Books	99,228	154,547	76,833	1,268	10,178	342,054	5,021	34,786	39,807	381,861	338,785
Building depreciation	264,406	1,567,434	207,409	13,591	214,208	2,267,048	237,724	273,204	510,928	2,777,976	2,761,652
Equipment depreciation	45,085	378,316	46,133	3,690	58,170	531,394	29,022	74,190	103,212	634,606	717,438
Equipment rental and maintenance	122,600	323,189	62,143	3,645	36,702	548,279	30,445	52,248	82,693	630,972	456,736
Grants to affiliates	-	1,975,395	-	-	3,706,605	5,682,000	-	-	-	5,682,000	5,642,327
Shared portion of contributions	-	509,577	-	-	16,335,350	16,844,927	-	-	-	16,844,927	16,802,672
Shared portion of bequest	-	51,073	-	-	5,838,728	5,889,801	-	-	-	5,889,801	6,109,673
Meetings/conferences	33,414	142,216	28,618	10,044	225,455	439,747	33,011	43,519	76,530	516,277	450,697
Legal fees	-	-	25,559	43,699	84,364	153,622	212,427	40,257	252,684	406,306	370,304
Donated legal services	-	16,135,081	-	-	-	16,135,081	-	-	-	16,135,081	7,960,818
Accounting fees	-	-	-	-	-	-	448,989	-	448,989	448,989	229,154
Professional fund-raising services	-	-	-	-	-	-	-	984,316	984,316	984,316	1,209,048
Other professional services	572,959	3,207,139	5,629,392	55,671	431,152	9,896,313	451,969	402,684	854,653	10,750,966	8,254,907
Interest expense	12,000	100,693	44,702	2,631	21,184	181,210	20,736	32,648	53,384	234,594	190,175
Postage and supplies	30,308	144,601	2,704,821	4,463	29,282	2,913,475	35,331	545,530	580,861	3,494,336	3,529,448
Publishing, printing and outreach	3,839	814,601	2,811,294	116	280	3,630,130	348	731,740	732,088	4,362,218	3,681,527
Special affiliate subsidies	-	-	-	-	6,210,000	6,210,000	-	-	-	6,210,000	6,401,531
Telephone	188,043	452,332	88,167	4,599	61,031	794,172	30,854	69,194	100,048	894,220	876,877
Telemarketing	-	10,444	1,609,823	-	-	1,620,267	-	212,071	212,071	1,832,338	1,880,793
Travel	140,822	1,019,824	205,587	59,240	218,471	1,643,944	194,365	226,122	420,487	2,064,431	1,876,921
Other expenses	91,670	630,749	537,069	10,847	206,368	1,476,703	74,922	148,286	223,208	1,699,911	1,954,630
<b>Total - 2013</b>	<b>\$ 6,168,737</b>	<b>\$ 45,513,722</b>	<b>\$ 20,460,833</b>	<b>\$ 758,363</b>	<b>\$ 38,259,369</b>	<b>\$ 111,161,024</b>	<b>\$ 5,614,109</b>	<b>\$ 9,475,093</b>	<b>\$ 15,089,202</b>	<b>\$ 126,250,226</b>	
<b>Total - 2012</b>	<b>\$ 5,205,384</b>	<b>\$ 31,644,009</b>	<b>\$ 20,443,766</b>	<b>\$ 739,053</b>	<b>\$ 37,980,541</b>	<b>\$ 96,012,753</b>	<b>\$ 5,506,496</b>	<b>\$ 9,198,916</b>	<b>\$ 14,705,412</b>		<b>\$ 110,718,165</b>

See Notes to Consolidated Financial Statements.

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

**Consolidated Statements of Cash Flows  
Years Ended March 31, 2013 and 2012**

	2013	2012
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (12,664,246)	\$ (29,157,615)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,412,582	3,479,090
Discount on pledges receivable	(39,670)	(51,886)
Changes in value of split-interest agreements	1,195,753	1,036,437
Net realized and unrealized loss (gains) on investments, net of adjustments for affiliate holdings	(8,243,600)	11,760,249
Contributions restricted for endowment	(211,920)	(151,126)
Contributions subject to split-interest agreements	(1,089,264)	(857,595)
Changes in operating assets and liabilities:		
Due from/to affiliates	(3,329,906)	(6,675,477)
Pledges and contributions receivable	3,648,228	20,376,514
Other assets	414,301	(27,680)
Beneficial interest in trusts	8,927	9,684
Accounts payable and accrued expenses	1,570,481	51,384
Accrued pension liability	4,544,015	13,241,476
Bill of Rights Trust held for affiliates	29,062	(283,810)
<b>Net cash (used in) provided by operating activities</b>	<b>(10,755,257)</b>	<b>12,749,645</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	126,488,284	432,799,298
Purchase of investments	(127,947,942)	(433,396,071)
Purchase of office buildings, furniture, fixtures and office equipment	(1,463,948)	(1,405,167)
<b>Net cash used in investing activities</b>	<b>(2,923,606)</b>	<b>(2,001,940)</b>
<b>Cash Flows From Financing Activities:</b>		
Contributions restricted for endowment	211,920	151,126
Contributions subject to split-interest agreements	1,089,264	857,595
Payments on split-interest agreements	(1,574,587)	(1,533,673)
New annuities	1,163,714	1,317,678
Terminated split-interest agreements	(329,295)	(128,385)
Mortgage payments	-	(3,908,089)
Principal payments on IDA bonds	(460,000)	(1,695,000)
<b>Net cash provided by (used in) financing activities</b>	<b>101,016</b>	<b>(4,938,748)</b>
<b>Net change in cash and cash equivalents</b>	<b>(13,577,847)</b>	<b>5,808,957</b>
<b>Cash and Cash Equivalents:</b>		
Beginning	32,421,580	26,612,623
Ending	\$ 18,843,733	\$ 32,421,580
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid	\$ 234,594	\$ 190,175
Change in investments for Bill of Rights Trust held for affiliates	\$ 1,257,719	\$ (127,497)

See Notes to Consolidated Financial Statements.

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

### Notes to Consolidated Financial Statements

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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 every state in the United States and in the District of Columbia and Puerto Rico. All affiliates 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 inter-organizational accounts and transactions have been eliminated in consolidation.

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

Fair Value Measurements: Assets and liabilities recorded at fair value in the consolidated statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, level inputs are defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the 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.

Fair Value of Financial Instruments: The estimated fair values of the ACLU's consolidated 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, 2013:

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.

Industrial Development Agency ("IDA") bond - The carrying amount approximates fair value because the interest rate is 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.

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

### Notes to Consolidated Financial Statements

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

Exposure to credit risk is reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2013, the majority of the ACLU's money market accounts were in funds that invest 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 reviews and updates investment policy statements for the organization's various investment portfolios, oversees its investment portfolio and engages the services of investment advisors and managers to invest and manage the assets within the guidelines of the respective investment policy statements and perform ongoing due diligence and reporting. The ACLU monitors the market risk of its investment portfolio via ongoing review of asset allocation formulas and analysis of investment values as reported by investment custodians and managers.

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 99% of the total portfolio at March 31, 2013.

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 has 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.

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. The majority of the ACLU's endowment funds are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust

The ACLU is subject to the New York Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"), and 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 are 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.

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 revenue and receivable in the period the promise is received. Payments received in subsequent periods on unconditional promises to give, such as payments on multi-year gifts, are not recognized as revenue; rather, these are recorded as

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

### Notes to Consolidated Financial Statements

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

decreases in the corresponding pledges receivable balance. 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 applicable risk-adjusted 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 statement of activities as net assets released from restrictions.

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

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

Certain contributions and bequests revenue are subject to revenue sharing agreements with affiliates. The ACLU's sharing rules specify the circumstances under which revenue 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. Shared revenues are reported at gross amounts and the affiliates' share of the revenues as affiliate support in the consolidated statement of activities.

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 19% of the total grants, contributions and bequests revenue for the year ended March 31, 2013 were provided by five donors. In addition, approximately 26% of the pledges and contributions receivable at March 31, 2013 were due from three donors.

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, 2013 and 2012 amounted to \$10,704,362 and \$5,225,480, respectively.

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

### Notes to Consolidated Financial Statements

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

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 reports the funded status of, and discloses other information about, its sponsored defined benefit pension plan in accordance with FASB ASC 715, *Compensation - Retirement Benefits*.

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 (the "IRS") 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 additional adjustment or disclosure to the accompanying consolidated financial statements. Generally, the Union and the Foundation are no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2009, which is the standard statute of limitations look-back period.

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, 2012, from which the summarized information was derived.

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 consolidated financial statements are available for issuance, which was September 30, 2013.

Reclassifications: Certain 2012 amounts have been reclassified to conform with the 2013 consolidated financial statement presentation. The reclassifications have no impact on the 2012 reported total consolidated assets, liabilities, net assets, revenues, expenses and changes in net assets of the ACLU.

Recently Issued Accounting Pronouncements: In October 2012, FASB issued Accounting Standards Update ("ASU") 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the ASC and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on the ACLU consolidated financial statements for subsequent periods has not yet been determined.

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

### Notes to Consolidated Financial Statements

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

In October 2012, the FASB issued ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. The amendments in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. ASU 2012-05 has been adopted by the ACLU. There were no changes to the ACLU's consolidated financial statements resulting from the adoption of this ASU.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments in this update will generally be effective for fiscal periods beginning after June 15, 2014. The impact of adopting ASU 2013-06 on the ACLU consolidated financial statements for subsequent periods has not yet been determined.

#### **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 and 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 \$4,354,037 and \$5,022,496 for the years ended March 31, 2013 and 2012, respectively.

Also included in the amounts due from affiliates are notes receivable and accrued interest of \$1,989,674 at March 31, 2013 and \$1,605,308 at March 31, 2012 due from certain affiliates. The notes mature on December 31, 2017 and accrue interest at the prime rate.

During the years ended March 31, 2013 and 2012, the Foundation received approximately \$193,000 and \$256,000, respectively, 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; these payments include charges for the use of certain building services, such as issuance of one-time visitor passes and acceptance of deliveries.

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

### Notes to Consolidated Financial Statements

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#### Note 4. Pledges and Contributions Receivable

Pledges and contributions receivable which are expected to be collected after one year have been discounted to net present value at rates ranging from 2.7% to 4.4% and are reflected in the consolidated financial statements at their net realizable value.

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

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 8,689,651	\$ 13,128,634
Receivable in one to five years	<u>5,576,755</u>	<u>4,786,000</u>
	14,266,406	17,914,634
Less discount to present value	<u>(302,253)</u>	<u>(341,923)</u>
<b>Total</b>	<b><u>\$ 13,964,153</u></b>	<b><u>\$ 17,572,711</u></b>

Management believes that pledges and contributions receivable will be collected in full when due. Accordingly, no provision for uncollectible pledges and contributions receivable is recognized in the accompanying consolidated financial statements.

In addition to the contributions receivable noted above, a certain ACLU donor confirmed, in fiscal year 2011, his intentions to recommend annual contributions aggregating approximately \$10,000,000 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. As of the year ended March 31, 2013, the ACLU has received \$4,000,000 in contributions (from donor-advised funds) towards this commitment of support.

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

### Notes to Consolidated Financial Statements

#### Note 5. Investments and Cash Equivalents

The following tables present the ACLU's investments and cash equivalents that are measured at fair value on a recurring basis.

	Fair Value Measurements at March 31, 2013 Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 14,615,733	\$ 14,615,733	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA - A-	22,864,816	-	22,864,816	-
BBB+ - B-	10,852,501	-	10,852,501	-
<b>Total corporate bonds</b>	<b>33,717,317</b>	<b>-</b>	<b>33,717,317</b>	<b>-</b>
U.S. Treasury Notes, agency and related	9,551,270	-	9,551,270	-
Mutual Funds:				
Large-cap U.S. equity	23,168,735	23,168,735	-	-
Small-/mid-cap U.S. equity	8,278,169	8,278,169	-	-
International equity	16,603,435	16,603,435	-	-
Short-term bond	55,215,678	55,215,678	-	-
Intermediate-term bond	17,497,118	17,497,118	-	-
High-yield bond	11,777,173	11,777,173	-	-
International fixed income	24,979,170	24,979,170	-	-
Other bond	15,672,503	15,672,503	-	-
Real estate	2,049,819	2,049,819	-	-
<b>Total mutual funds</b>	<b>175,241,800</b>	<b>175,241,800</b>	<b>-</b>	<b>-</b>
Common Trust Funds:				
Large-cap U.S. equity	3,625,173	-	3,625,173	-
Small-/mid-cap U.S. equity	2,033,353	-	2,033,353	-
International equity	4,007,236	-	4,007,236	-
Intermediate-term bond	1,849,916	-	1,849,916	-
High-yield and other bonds	1,214,791	-	1,214,791	-
Real estate and commodities	824,673	-	824,673	-
<b>Total common trust funds</b>	<b>13,555,142</b>	<b>-</b>	<b>13,555,142</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	536,908	536,908	-	-
Small-/mid-cap U.S. equity	5,744,545	5,744,545	-	-
International equity	3,859,067	3,859,067	-	-
Short-term, long-term and intermediate-term bonds	5,366,434	5,366,434	-	-
Real estate	2,094,429	2,094,429	-	-
Hard assets (commodities)	3,787,495	3,787,495	-	-
<b>Total exchange-traded funds</b>	<b>21,388,878</b>	<b>21,388,878</b>	<b>-</b>	<b>-</b>
Structured Notes:				
Large-cap U.S. equity	2,286,400	-	2,286,400	-
International equity	2,764,182	-	2,764,182	-
International fixed income	1,471,028	-	1,471,028	-
Hard assets (commodities)	555,250	-	555,250	-
<b>Total structured notes</b>	<b>7,076,860</b>	<b>-</b>	<b>7,076,860</b>	<b>-</b>
<b>Total investments</b>	<b>275,147,000</b>	<b>211,246,411</b>	<b>63,900,589</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	5,682,207	5,682,207	-	-
<b>Total</b>	<b>\$ 280,829,207</b>	<b>\$ 216,928,618</b>	<b>\$ 63,900,589</b>	<b>\$ -</b>

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

### Notes to Consolidated Financial Statements

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

	Fair Value Measurements at March 31, 2012 Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 10,745,304	\$ 10,745,304	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA - A-	18,623,485	-	18,623,485	-
BBB+ - B-	9,095,961	-	9,095,961	-
<b>Total corporate bonds</b>	<b>27,719,446</b>	<b>-</b>	<b>27,719,446</b>	<b>-</b>
U.S. Treasury Notes, agency and related	9,436,793	-	9,436,793	-
Mutual Funds:				
Large-cap U.S. equity	25,412,148	25,412,148	-	-
Small-/mid-cap U.S. equity	717,280	717,280	-	-
International equity	11,229,498	11,229,498	-	-
Balanced fund	2,025,831	2,025,831	-	-
Short-term bond	66,623,693	66,623,693	-	-
Intermediate-term bond	41,490,335	41,490,335	-	-
U.S. bond fund	3,008,166	3,008,166	-	-
High-yield bond	4,349,346	4,349,346	-	-
International fixed income	14,363,333	14,363,333	-	-
Other bond	4,884,531	4,884,531	-	-
Real estate	510,913	510,913	-	-
<b>Total mutual funds</b>	<b>174,615,074</b>	<b>174,615,074</b>	<b>-</b>	<b>-</b>
Common Trust Funds:				
Large-cap U.S. equity	6,327,169	-	6,327,169	-
Small-/mid-cap U.S. equity	1,368,225	-	1,368,225	-
International equity	1,390,017	-	1,390,017	-
Intermediate-term bond	4,654,344	-	4,654,344	-
<b>Total common trust funds</b>	<b>13,739,755</b>	<b>-</b>	<b>13,739,755</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	991,901	991,901	-	-
Small-/mid-cap U.S. equity	2,232,659	2,232,659	-	-
International equity	1,772,848	1,772,848	-	-
Short-term bond	19,693,732	19,693,732	-	-
Hard assets (commodities)	986,636	986,636	-	-
<b>Total exchange-traded funds</b>	<b>25,677,776</b>	<b>25,677,776</b>	<b>-</b>	<b>-</b>
Structured Notes	2,251,875	-	2,251,875	-
<b>Total investments</b>	<b>264,186,023</b>	<b>211,038,154</b>	<b>53,147,869</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	5,533,179	5,533,179	-	-
<b>Total</b>	<b>\$ 269,719,202</b>	<b>\$ 216,571,333</b>	<b>\$ 53,147,869</b>	<b>\$ -</b>

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

### Notes to Consolidated Financial Statements

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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. 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. There were no significant transfers among Levels 1, 2 and 3 during fiscal 2013 or 2012.

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.

Equities, money market funds, and exchange-traded funds listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. government debt, corporate bonds and structured notes are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Investments in mutual funds are stated at fair value based on the last quoted evaluation price and are classified as Level 1 in the fair value hierarchy.

Investments in common trust funds are valued at fair value based on the applicable percentage ownership of the underlying net assets as of the measurement date, as determined by the ACLU. In determining fair value, the ACLU utilizes valuations provided by the underlying common trust funds. The underlying common trust funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying common trust funds, which may include private placements and other securities for which prices are not readily available, are determined by the trustee of the common trust funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the ACLU's investments in common trust funds generally represents the amount the ACLU would expect to receive if it were to liquidate its investment in the common trust fund excluding any redemption charges that may apply. The ACLU categorizes its investments in common trust funds as a Level 2 fair value measurement because the ACLU had the ability to redeem the investments daily or monthly.

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

	<u>2013</u>	<u>2012</u>
Bill of Rights Trust, inclusive of endowments held in perpetuity of \$39,295,255 and \$39,153,335 at March 31, 2013 and 2012, respectively (Note 9)	<b>\$ 79,118,632</b>	\$ 75,314,042
Split-interest agreements (Note 7)	<b>20,613,505</b>	18,736,298
Other endowment, special projects, program support and operating reserves	<b>181,097,070</b>	175,668,862
	<b><u>\$ 280,829,207</u></b>	<b><u>\$ 269,719,202</u></b>

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

### Notes to Consolidated Financial Statements

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

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 5,736,698	\$ 6,484,864
Net realized and unrealized gains (losses) on investments	<u>9,501,319</u>	<u>(11,924,351)</u>
Total	15,238,017	(5,439,487)
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	<u>(1,894,054)</u>	<u>(205,449)</u>
Net investment income, gains and losses	<u>\$ 13,343,963</u>	<u>\$ (5,644,936)</u>

Investment management and custodial fees amounted to approximately \$398,800 for 2013 and \$305,500 for 2012, and are included as professional fees in the consolidated statement of functional expenses.

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

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

	<u>2013</u>	<u>2012</u>	Range of Estimated Useful Life
Office buildings and office condominium	\$ 48,442,645	\$ 47,908,200	10 to 50 years
Furniture, fixtures and office equipment	<u>4,097,724</u>	<u>3,168,221</u>	3 to 15 years
	52,540,369	51,076,421	
Less accumulated depreciation	<u>(21,912,293)</u>	<u>(18,499,711)</u>	
	<u>\$ 30,628,076</u>	<u>\$ 32,576,710</u>	

#### 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 annuitant is recognized as contribution revenue.

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

The Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately \$1,563,000 in accordance with the agreements.

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

### Notes to Consolidated Financial Statements

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#### Note 7. Split-Interest Agreements (Continued)

In addition, the Foundation has 12 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>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 193,680	\$ 233,666
Investments	<u>20,419,825</u>	<u>18,502,632</u>
<b>Total assets</b>	<b>20,613,505</b>	18,736,298
Liabilities under split-interest agreements	<u>12,350,901</u>	<u>11,895,316</u>
<b>Net assets</b>	<b><u>\$ 8,262,604</u></b>	<b><u>\$ 6,840,982</u></b>

Asset balances at March 31, 2013 and 2012 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements on the accompanying consolidated statements of financial position.

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 2.5% 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 statement of activities as changes in value of split-interest agreements.

#### Note 8. IDA Bond Financing

In June 1997, the Foundation received financing of \$6,000,000 as a result of the New York City Industrial Development Agency's ("IDA") 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.

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

### Notes to Consolidated Financial Statements

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#### Note 8. IDA Bond Financing (Continued)

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. On July 1, 2013, the letter of credit was amended and restated to terminate on the earlier of July 4, 2016 or upon the occurrence of certain events set forth in the letter of credit agreement, including the redemption of the 2005 IDA bonds. Interest and other charges related to the 2005 IDA bonds were approximately \$235,000 and \$164,000 for the years ended March 31, 2013 and 2012, respectively.

The letter of credit agreement, as amended and restated, 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 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. The Foundation is currently in compliance with these covenants.

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.

In November 2011, the Foundation redeemed \$1,250,000 of IDA bonds outstanding to implement a settlement with the IRS and to ensure that the portion of the Premises used to conduct Section 501(c)(4) activities, including spaces occupied by the Union and the New York Civil Liberties Union, that are in excess of permissible limits are not financed by tax-exempt bond proceeds. The settlement also involved the payment of a penalty in the amount of approximately \$19,000, the estimated value of taxes that the IRS would have collected from bondholders over a three-year period in connection with the impermissible use of the premises for non-tax exempt purposes. The value of the IDA bonds redeemed exceed the minimum amount required to address the current use of space in support of Section 501(c)(4) activities and was intended to ensure that the Foundation would remain in full compliance with rules and bond covenants in the event that the use of space in connection with Section 501(c)(4) activities were to increase.

Principal payments under the above obligation in each of the five years subsequent to March 31, 2013 and thereafter are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2014	\$ 480,000
2015	495,000
2016	515,000
2017	530,000
2018	555,000
Thereafter	<u>13,135,000</u>
	<u>\$ 15,710,000</u>

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

### Notes to Consolidated Financial Statements

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#### Note 9. The Bill of Rights Trust Endowment

In 1997, the Foundation and the Section 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 years ended March 31, 2013 and 2012, the Trust allows for a potential distribution amount equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2012 and 2011, respectively. Each unit holder, including the Foundation and the participating Affiliate Foundations, must certify that it has determined the appropriation to be prudent before the distribution is disbursed.

The investment goal of the endowment fund is 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, 2013 and 2012, the Trust was comprised of the following accounts and amounts that are included in the consolidated statements of financial position:

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 2,489,153	\$ 1,938,993
Investments	76,629,479	73,375,049
Other assets	178,836	112,416
	<u>\$ 79,297,468</u>	<u>\$ 75,426,458</u>
Liabilities and Net Assets:		
Held for Affiliate Foundations	\$ 25,396,610	\$ 24,109,829
Temporarily restricted net assets	14,605,603	12,163,294
Permanently restricted net assets	39,295,255	39,153,335
	<u>\$ 79,297,468</u>	<u>\$ 75,426,458</u>

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

### Notes to Consolidated Financial Statements

#### Note 9. The Bill of Rights Trust Endowment (Continued)

The endowment-related activities of the Foundation, which are comprised principally of the endowment-related activities of the Trust, are summarized below.

	2013			2012		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 12,667,820</u>	<u>\$ 40,353,335</u>	<u>\$ 53,021,155</u>	<u>\$ 14,002,225</u>	<u>\$ 39,002,209</u>	<u>\$ 53,004,434</u>
Investment Return:						
Interest and dividends	1,607,205	-	1,607,205	1,438,404	-	1,438,404
Net realized and unrealized gains (losses) on investments	2,709,240	-	2,709,240	(1,307,416)	-	(1,307,416)
Investment fees and expenses	<u>(109,691)</u>	<u>-</u>	<u>(109,691)</u>	<u>(151,712)</u>	<u>-</u>	<u>(151,712)</u>
Net investment return	<u>4,206,754</u>	<u>-</u>	<u>4,206,754</u>	<u>(20,724)</u>	<u>-</u>	<u>(20,724)</u>
Other changes during the year:						
Contributions	-	211,920	211,920	-	151,126	151,126
Transfer from non-endowment net assets	-	-	-	532,888	1,200,000	1,732,888
Appropriation of endowment assets for expenditures	<u>(1,648,087)</u>	<u>-</u>	<u>(1,648,087)</u>	<u>(1,846,569)</u>	<u>-</u>	<u>(1,846,569)</u>
Total	<u>(1,648,087)</u>	<u>211,920</u>	<u>(1,436,167)</u>	<u>(1,313,681)</u>	<u>1,351,126</u>	<u>37,445</u>
Endowment net assets, end of year	<u>\$ 15,226,487</u>	<u>\$ 40,565,255</u>	<u>\$ 55,791,742</u>	<u>\$ 12,667,820</u>	<u>\$ 40,353,335</u>	<u>\$ 53,021,155</u>

#### Note 10. Commitments and Contingency

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

The ACLU either itself or by the condominium board on its behalf is currently in discussions with the insurers, building management and other condominium owners at its 125 Broad Street offices in connection with the damages caused to the building by Hurricane Sandy in October 2012. The amounts recoverable from insurance cannot be determined at present. The amounts that are not covered by the insurance and will have to be paid by the ACLU are not expected to have a material effect on the ACLU's consolidated financial statements.

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.

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

### Notes to Consolidated Financial Statements

#### Note 11. 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").

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. The Plan pays the monthly payments from the Plan assets rather than purchase annuity contracts.

The following table sets forth the funded status of the ACLU Pension Plan, the change in fund status and amounts recognized in the accompanying consolidated financial statements:

	<u>2013</u>	<u>2012</u>
Change in Benefit Obligation:		
Obligation, beginning of year	\$ 106,179,354	\$ 84,248,237
Service cost	5,350,174	4,380,593
Interest cost	5,026,802	4,797,428
Actuarial loss	8,195,390	14,864,185
Benefit payments and expected expenses	<u>(2,307,944)</u>	<u>(2,111,089)</u>
<b>Obligation, end of year</b>	<b><u>122,443,776</u></b>	<b><u>106,179,354</u></b>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	63,912,841	55,223,200
Actual return on plan assets	6,814,828	3,264,302
Employer contributions	7,311,867	7,545,156
Benefit payments and actual expenses	<u>(2,406,288)</u>	<u>(2,119,817)</u>
<b>Fair value of plan assets, end of year</b>	<b><u>75,633,248</u></b>	<b><u>63,912,841</u></b>
<b>Funded status, end of year</b>	<b><u>\$ (46,810,528)</u></b>	<b><u>\$ (42,266,513)</u></b>
Amounts Recognized as Liabilities in the Consolidated Statements of Financial Position	<u>\$ (46,810,528)</u>	<u>\$ (42,266,513)</u>
Amounts Recognized as Cumulative Changes in Pension Other than Net Periodic Costs:		
Net loss	<u>\$ (43,527,089)</u>	<u>\$ (38,717,632)</u>

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

**Notes to Consolidated Financial Statements**

**Note 11. Retirement Plans (Continued)**

	<u>2013</u>	<u>2012</u>
Components of Net Benefit Cost:		
Components of net periodic pension cost:		
Service cost	\$ 5,350,174	\$ 4,380,593
Interest cost	5,026,802	4,797,428
Expected return on plan assets	(5,034,521)	(4,398,208)
Amortization of net loss	<u>1,703,970</u>	<u>859,411</u>
<b>Net periodic pension cost</b>	<u><b>7,046,425</b></u>	<u><b>5,639,224</b></u>
Changes in Pension Costs Other than Net Periodic Cost:		
Net loss	6,513,427	16,006,819
Amortization of net loss	<u>(1,703,970)</u>	<u>(859,411)</u>
<b>Other than net periodic cost</b>	<u><b>4,809,457</b></u>	<u><b>15,147,408</b></u>
<b>Net benefit cost</b>	<u><b>\$ 11,855,882</b></u>	<u><b>\$ 20,786,632</b></u>

The net periodic pension costs of \$7,046,425 and \$5,639,224 for the years ended March 31, 2013 and 2012, respectively, is comprised of \$2,687,780 and \$2,139,303 which are recognized as expenses by the ACLU and \$4,358,695 and \$3,499,421 which are charged to the affiliates for net periodic pension costs associated with affiliates' employees participating in the plan during 2013 and 2012, respectively (see Note 3).

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

	<u>2013</u>	<u>2012</u>
Weighted-average assumptions to determine benefit obligation as of March 31:		
Discount rate	4.39%	4.84%
Expected return on plan assets	7.75%	7.75%
Rate of compensation increase	5.00%	5.00%
Weighted-average assumptions to determine net benefit cost for the year ended March 31:		
Discount rate	4.84%	5.87%
Expected return on plan assets	7.75%	7.75%
Rate of compensation increase	5.00%	5.00%

As of March 31, 2013 and 2012, the accumulated benefit obligation of the Pension Plan was \$100,447,322 and \$91,701,322, respectively.

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

### Notes to Consolidated Financial Statements

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#### Note 11. Retirement Plans (Continued)

The ACLU expects to contribute approximately \$6,350,000 to the Pension Plan during the fiscal year ending March 31, 2014 and may consider further contributions as well.

Estimated future benefit payments attributable to estimated future employee service in each of the five years subsequent to March 31, 2012 and in the aggregate subsequent to 2018 are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2014	\$ 3,559,749
2015	3,837,495
2016	4,102,737
2017	4,429,855
2018	4,902,221
Thereafter	30,226,631

An investment policy has been established to consider both the current and projected financial requirements of the plan. The responsibility for the management of the assets has been delegated to an Investment Manager, Principal Financial Advisors. The plan has relied on a total return strategy in which investment returns are to be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The plan has used a diversified and balanced asset allocation including large U.S. equity, small/mid U.S. equity, international equity, real estate and fixed income 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. 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 ACLU is currently undertaking a thorough review of the plan and its investment strategy with a focus on the plan's overall economic health.

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

**Notes to Consolidated Financial Statements**

**Note 11. Retirement Plans (Continued)**

The fair value of the plan's investments at March 31, 2013 and 2012 by asset category is as follows:

	% Allocation	Total	Fair Value Measurements at March 31, 2013 Using		
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Commingled Funds - Separate Accounts					
Equities:					
Large-cap U.S. equity <sup>(b)</sup>	39%	\$ 29,385,460	\$ -	\$ 29,385,460	\$ -
Small-/mid-cap U.S. equities <sup>(b)</sup>	9%	7,246,959	-	7,246,959	-
International equity <sup>(b)</sup>	14%	10,601,825	-	10,601,825	-
Real Estate:					
Real estate securities <sup>(b)</sup>	2%	1,783,684	-	1,783,684	-
Direct-owned U.S. commercial properties <sup>(a)</sup>	7%	4,952,236	-	-	4,952,236
Fixed Income:					
High-yield bonds <sup>(b)</sup>	4%	2,732,231	-	2,732,231	-
Intermediate-term bonds <sup>(b)</sup>	20%	15,001,610	-	15,001,610	-
Inflation-protected bonds <sup>(b)</sup>	5%	3,929,243	-	3,929,243	-
	<b>100%</b>	<b>\$ 75,633,248</b>	<b>\$ -</b>	<b>\$ 70,681,012</b>	<b>\$ 4,952,236</b>

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

**Notes to Consolidated Financial Statements**

**Note 11. Retirement Plans (Continued)**

	%	Total	Fair Value Measurements at March 31, 2012 Using		
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Allocation				
Pooled Commingled Funds - Separate Accounts					
Equities:					
Large-cap U.S. equity <sup>(b)</sup>	37%	\$ 23,762,510	\$ -	\$ 23,762,510	\$ -
Small-/mid-cap U.S. equities <sup>(b)</sup>	9%	5,753,230	-	5,753,230	-
International equity <sup>(b)</sup>	14%	8,737,417	-	8,737,417	-
Real Estate:					
Real estate securities <sup>(b)</sup>	2%	1,435,413	-	1,435,413	-
Direct-owned U.S. commercial properties <sup>(a)</sup>	6%	4,014,228	-	-	4,014,228
Fixed Income:					
High-yield bonds <sup>(b)</sup>	3%	2,204,287	-	2,204,287	-
Intermediate-term bonds <sup>(b)</sup>	23%	14,632,621	-	14,632,621	-
Inflation-protected bonds <sup>(b)</sup>	6%	3,373,135	-	3,373,135	-
	<u>100%</u>	<u>\$ 63,912,841</u>	<u>\$ -</u>	<u>\$ 59,898,613</u>	<u>\$ 4,014,228</u>

(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. The fair value is based on reported net asset value.

(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 pooled commingled funds - separate accounts are valued at the net asset value of the underlying investments as provided by the investment manager. The pooled separate accounts invest in domestic and foreign stocks, bonds, mutual funds and real estate. The fair values of the majority of these stocks, bonds and mutual funds are publicly quoted and are used in determining the net asset value of the pooled separate accounts, which are not publicly quoted. The fair value of the real estate fund is based on the value of the underlying real estate using discounted cash flow models that utilize public real estate market data inputs such as transaction prices, market rents, vacancy levels, leasing absorption, market cap rates and discount rates.

There have been no changes in the methodologies used at March 31, 2013 and 2012.

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

### Notes to Consolidated Financial Statements

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#### Note 11. Retirement Plans (Continued)

The table below sets forth a summary of changes in the fair value of the plan's Level 3 assets for the years ended March 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Balance, beginning of year	\$ 4,014,228	\$ -
Additions during the year	438,712	1,576,944
Net investment gain	<u>499,296</u>	<u>2,437,284</u>
Balance, end of year	<u>\$ 4,952,236</u>	<u>\$ 4,014,228</u>

The ACLU 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 47 affiliates that elected to participate in the soft freeze enrolled in a new Defined Contribution ("DC") 401(k) plan. Effective May 1, 2012, the New Hampshire affiliate elected to soft freeze its 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, or those who do not work for the Illinois, Louisiana, or New York affiliates, and does not affect current plan participants, or employees hired before March 31, 2009 but not yet in the plan. Employer contributions to the DC plan during the years ended March 31, 2013 and 2012 were \$511,249 and \$315,486 respectively.

Eligible ACLU employees may also participate in the ACLU 401(k) plan (the "401(k) Plan"), which is a 401(k) salary-reduction plan covering substantially all employees of the Union, the Foundation, and their affiliates, hired on or before March 31, 2009. Under the 401(k) Plan, employees may voluntarily contribute up to 80% of their pre-tax compensation to the 401(k) Plan subject to IRS dollar limits. There is no employer match or other contributions.

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

**Notes to Consolidated Financial Statements**

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**Note 12. Net Assets**

Net assets are comprised of the following:

	<u>2013</u>	<u>2012</u>
Unrestricted:		
Undesignated	<u>\$ 47,503,777</u>	<u>\$ 48,551,512</u>
Cumulative Pension Liability Adjustment	<u>(43,527,089)</u>	<u>(38,717,632)</u>
Board-designated:		
Litigation Fund	10,953,439	13,251,800
California Annuity Fund	653,821	494,131
Annuity Reserve	6,482,279	5,359,561
Development Fund	28,157,215	28,001,161
Jacobs Affiliate Development Fund	15,743,190	17,141,599
Dividend Distribution Fund	66,754,755	62,125,195
John Adams Fund	<u>11,275,650</u>	<u>11,358,906</u>
<b>Total board-designated</b>	<u>140,020,349</u>	<u>137,732,353</u>
<b>Total unrestricted</b>	<u>143,997,037</u>	<u>147,566,233</u>
Temporarily Restricted:		
Bill of Rights Trust and other endowments	15,226,487	12,667,820
Trusts	1,661,959	1,532,779
Other time and purpose restrictions	<u>38,273,047</u>	<u>50,267,864</u>
<b>Total temporarily restricted</b>	<u>55,161,493</u>	<u>64,468,463</u>
Permanently Restricted - Bill of Rights Trust and other endowments	<u>40,565,255</u>	<u>40,353,335</u>
<b>Total net assets</b>	<u><u>\$ 239,723,785</u></u>	<u><u>\$ 252,388,031</u></u>

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

### Notes to Consolidated Financial Statements

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#### Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2013 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

Special Projects:

Capital Punishment Project	\$ 35,921
Prisoners' Rights	1,099,163
Immigrants' Rights	3,067,881
Reproductive Freedom	2,403,498
Women's Rights	131,739
Drug Litigation Reform	579,972
LGBT	2,835,352
Voting Rights	69,839
Other special projects	<u>8,950,602</u>
<b>Total special projects</b>	19,173,967
Bill of Rights Trust	1,697,778
Time-Restricted Gifts	<u>10,243,309</u>
<b>Total released from restrictions</b>	<u><u>\$ 31,115,054</u></u>

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidating Statement of Financial Position

March 31, 2013

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 \$2,489,153)	\$ 6,559,736	\$ 12,141,057	\$ 142,940	\$ -	\$ 18,843,733
Pledges and Contributions Receivable, net	2,848,650	11,115,503	-	-	13,964,153
Investments	494,334	274,652,666	-	-	275,147,000
Other Assets	562,441	1,405,180	-	-	1,967,621
Due From Affiliates	4,815,383	7,163,415	-	-	11,978,798
Due to the ACLU From the ACLU Foundation	8,661,635	-	-	(8,661,635)	-
Due to the ACLU Foundation From the LLC	-	9,457,682	-	(9,457,682)	-
Investment in 915 15th Street, LLC	-	(947,539)	-	947,539	-
Beneficial Interest in Trusts	-	536,563	-	-	536,563
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	-	22,186,763	8,441,313	-	30,628,076
<b>Total assets</b>	<b>\$ 23,942,179</b>	<b>\$ 337,711,290</b>	<b>\$ 8,584,253</b>	<b>\$ (17,171,778)</b>	<b>\$ 353,065,944</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 2,058,389	\$ 3,536,667	\$ 74,110	\$ -	\$ 5,669,166
Due from the LLC to the ACLU Foundation	-	-	9,457,682	(9,457,682)	-
Due to the American Civil Liberties Union, Inc.	-	8,661,635	-	(8,661,635)	-
Due to affiliates	2,496,367	4,908,587	-	-	7,404,954
Liabilities under split-interest agreements	-	12,350,901	-	-	12,350,901
IDA bond	-	15,710,000	-	-	15,710,000
Bill of Rights Trust held for affiliates	-	25,396,610	-	-	25,396,610
Accrued pension liability	46,810,528	-	-	-	46,810,528
<b>Total liabilities</b>	<b>51,365,284</b>	<b>70,564,400</b>	<b>9,531,792</b>	<b>(18,119,317)</b>	<b>113,342,159</b>
Commitments and Contingency					
Net Assets:					
Unrestricted:					
Board-designated	12,912,407	127,107,942	-	-	140,020,349
Cumulative minimum pension liability adjustment	(43,527,089)	-	-	-	(43,527,089)
Undesignated	28,241	47,475,536	(947,539)	947,539	47,503,777
<b>Total unrestricted</b>	<b>(30,586,441)</b>	<b>174,583,478</b>	<b>(947,539)</b>	<b>947,539</b>	<b>143,997,037</b>
Temporarily restricted:					
Bill of Rights Trust and other endowments	-	15,226,487	-	-	15,226,487
Other time and purpose restrictions	3,163,336	36,771,670	-	-	39,935,006
<b>Total temporarily restricted</b>	<b>3,163,336</b>	<b>51,998,157</b>	<b>-</b>	<b>-</b>	<b>55,161,493</b>
Permanently restricted - Bill of Rights Trust and other endowments					
	-	40,565,255	-	-	40,565,255
<b>Total net assets</b>	<b>(27,423,105)</b>	<b>267,146,890</b>	<b>(947,539)</b>	<b>947,539</b>	<b>239,723,785</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,942,179</b>	<b>\$ 337,711,290</b>	<b>\$ 8,584,253</b>	<b>\$ (17,171,778)</b>	<b>\$ 353,065,944</b>

American Civil Liberties Union, Inc. and Consolidated Entities

Consolidating Statement of Activities  
Year Ended March 31, 2013  
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	\$ 21,810,293	\$ -	\$ 21,810,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,810,293	\$ -	\$ -	\$ 21,810,293
New member contributions	3,820,581	-	3,820,581	-	-	-	-	-	-	3,820,581	-	-	3,820,581
Grants and contributions	1,783,525	1,697,481	3,481,006	24,080,716	15,066,601	211,920	39,359,237	-	-	25,864,241	16,764,082	211,920	42,840,243
Donated legal services	-	-	-	16,135,081	-	-	16,135,081	-	-	16,135,081	-	-	16,135,081
Bequests	5,503,325	-	5,503,325	12,037,798	646,390	-	12,684,188	-	-	17,541,123	646,390	-	18,187,513
<b>Total support</b>	<b>32,917,724</b>	<b>1,697,481</b>	<b>34,615,205</b>	<b>52,253,595</b>	<b>15,712,991</b>	<b>211,920</b>	<b>68,178,506</b>	<b>-</b>	<b>-</b>	<b>85,171,319</b>	<b>17,410,472</b>	<b>211,920</b>	<b>102,793,711</b>
Revenue:													
List rentals	103,031	-	103,031	-	-	-	-	-	-	103,031	-	-	103,031
Rental income	-	-	-	1,093,741	-	-	1,093,741	791,161	(1,287,758)	597,144	-	-	597,144
Pamphlet and book sales	-	-	-	28,490	-	-	28,490	-	-	28,490	-	-	28,490
Other income	-	-	-	71,410	-	-	71,410	-	-	71,410	-	-	71,410
<b>Total revenue</b>	<b>103,031</b>	<b>-</b>	<b>103,031</b>	<b>1,193,641</b>	<b>-</b>	<b>-</b>	<b>1,193,641</b>	<b>791,161</b>	<b>(1,287,758)</b>	<b>800,075</b>	<b>-</b>	<b>-</b>	<b>800,075</b>
Net Assets Released From Restrictions	3,293,369	(3,293,369)	-	27,821,685	(27,821,685)	-	-	-	-	31,115,054	(31,115,054)	-	-
<b>Total support and revenue</b>	<b>36,314,124</b>	<b>(1,595,888)</b>	<b>34,718,236</b>	<b>81,268,921</b>	<b>(12,108,694)</b>	<b>211,920</b>	<b>69,372,147</b>	<b>791,161</b>	<b>(1,287,758)</b>	<b>117,086,448</b>	<b>(13,704,582)</b>	<b>211,920</b>	<b>103,593,786</b>
Expenses:													
Program services:													
Legislative	2,558,068	-	2,558,068	3,750,637	-	-	3,750,637	-	(139,968)	6,168,737	-	-	6,168,737
Legal	1,337,456	-	1,337,456	44,825,985	-	-	44,825,985	-	(649,719)	45,513,722	-	-	45,513,722
Public education	14,174,407	-	14,174,407	6,432,031	-	-	6,432,031	-	(145,605)	20,460,833	-	-	20,460,833
Civil liberties policy formulation	272,927	-	272,927	493,836	-	-	493,836	-	(8,400)	758,363	-	-	758,363
Affiliate support	13,830,401	-	13,830,401	24,524,069	-	-	24,524,069	-	(95,101)	38,259,369	-	-	38,259,369
<b>Total program services</b>	<b>32,173,259</b>	<b>-</b>	<b>32,173,259</b>	<b>80,026,558</b>	<b>-</b>	<b>-</b>	<b>80,026,558</b>	<b>-</b>	<b>(1,038,793)</b>	<b>111,161,024</b>	<b>-</b>	<b>-</b>	<b>111,161,024</b>
Supporting services:													
Management and general	1,922,852	-	1,922,852	2,626,978	-	-	2,626,978	1,182,538	(118,259)	5,614,109	-	-	5,614,109
Fund-raising	2,802,654	-	2,802,654	6,803,145	-	-	6,803,145	-	(130,706)	9,475,093	-	-	9,475,093
<b>Total supporting services</b>	<b>4,725,506</b>	<b>-</b>	<b>4,725,506</b>	<b>9,430,123</b>	<b>-</b>	<b>-</b>	<b>9,430,123</b>	<b>1,182,538</b>	<b>(248,965)</b>	<b>15,089,202</b>	<b>-</b>	<b>-</b>	<b>15,089,202</b>
<b>Total expenses</b>	<b>36,898,765</b>	<b>-</b>	<b>36,898,765</b>	<b>89,456,681</b>	<b>-</b>	<b>-</b>	<b>89,456,681</b>	<b>1,182,538</b>	<b>(1,287,758)</b>	<b>126,250,226</b>	<b>-</b>	<b>-</b>	<b>126,250,226</b>
<b>Change in net assets before other changes</b>	<b>(584,641)</b>	<b>(1,595,888)</b>	<b>(2,180,529)</b>	<b>(8,187,760)</b>	<b>(12,108,694)</b>	<b>211,920</b>	<b>(20,084,534)</b>	<b>(391,377)</b>	<b>-</b>	<b>(9,163,778)</b>	<b>(13,704,582)</b>	<b>211,920</b>	<b>(22,656,440)</b>
Other Changes in Net Assets:													
Legal expenses awarded, net	-	-	-	2,333,073	-	-	2,333,073	-	-	2,333,073	-	-	2,333,073
Net investment income, gains and losses	51,678	-	51,678	8,749,185	4,543,100	-	13,292,285	-	-	8,800,863	4,543,100	-	13,343,963
Changes in value of split-interest agreements	-	-	-	(729,897)	(145,488)	-	(875,385)	-	-	(729,897)	(145,488)	-	(875,385)
Net loss on investment in 915 15th Street, LLC	-	-	-	(391,377)	-	-	(391,377)	-	391,377	-	-	-	-
Minimum pension liability adjustment	(4,809,457)	-	(4,809,457)	-	-	-	-	-	-	(4,809,457)	-	-	(4,809,457)
<b>Total other changes in net assets</b>	<b>(4,757,779)</b>	<b>-</b>	<b>(4,757,779)</b>	<b>9,960,984</b>	<b>4,397,612</b>	<b>-</b>	<b>14,358,596</b>	<b>-</b>	<b>391,377</b>	<b>5,594,582</b>	<b>4,397,612</b>	<b>-</b>	<b>9,992,194</b>
<b>Change in net assets</b>	<b>(5,342,420)</b>	<b>(1,595,888)</b>	<b>(6,938,308)</b>	<b>1,773,224</b>	<b>(7,711,082)</b>	<b>211,920</b>	<b>(5,725,938)</b>	<b>(391,377)</b>	<b>391,377</b>	<b>(3,569,196)</b>	<b>(9,306,970)</b>	<b>211,920</b>	<b>(12,664,246)</b>
Net Assets:													
Beginning	(25,244,021)	4,759,224	(20,484,797)	172,810,254	59,709,239	40,353,335	272,872,828	(556,162)	556,162	147,566,233	64,468,463	40,353,335	252,388,031
Ending	\$ (30,586,441)	\$ 3,163,336	\$ (27,423,105)	\$ 174,583,478	\$ 51,998,157	\$ 40,565,255	\$ 267,146,890	\$ (947,539)	\$ 947,539	\$ 143,997,037	\$ 55,161,493	\$ 40,565,255	\$ 239,723,785