

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Financial Report
March 31, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Civil Liberties Union Foundation, Inc. and Subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of March 31, 2015, 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 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 American Civil Liberties Union Foundation, Inc. and Subsidiary as of March 31, 2015, 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.

Emphasis of Matter

As discussed in Notes 2 and 5 to the consolidated financial statements, in 2015, the Foundation adopted new accounting guidance related to the disclosures for investments that calculate net asset value per share or its equivalent, and the classification of the sale of proceeds of donated financial assets in the statement of cash flows for not-for-profit entities. Prior year disclosures and consolidated statement of cash flows have been revised to reflect the retrospective application of adopting these change in accounting.

Also, pursuant to the amended and restated American Civil Liberties Union Retirement Plan (the Pension Plan) document on January 1, 2015, as discussed in Note 11, the Foundation recognized \$13,840,974 of amounts due to the American Civil Liberties Union, Inc. for the contribution due in the event of withdrawal from the Pension Plan or freezing benefits by the Foundation.

Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014 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 and changes in net assets 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.



New York, New York
September 29, 2015

American Civil Liberties Union Foundation, Inc. and Subsidiary

**Consolidated Statements of Financial Position
March 31, 2015 and 2014**

	2015	2014
Assets		
Cash and Cash Equivalents	\$ 14,986,184	\$ 8,309,493
Pledges and Contributions Receivable, Net	23,921,540	12,731,387
Investments	252,411,671	265,526,566
Other Assets	1,128,723	1,709,288
Due From Affiliates	4,559,766	4,606,601
Beneficial Interest in Trusts	1,853,475	1,318,418
Land, Office Buildings, Furniture, Fixtures and Office Equipment, Net of Accumulated Depreciation	28,738,908	29,715,549
Total assets	\$ 327,600,267	\$ 323,917,302
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,640,525	\$ 4,138,222
Due to American Civil Liberties Union, Inc.:		
Accrued pension liability	1,324,459	3,077,796
Allocated share of pension liability	13,840,974	-
Others	3,579,585	6,215,210
Due to affiliates	6,767,613	6,914,010
Liabilities under split-interest agreements	13,615,080	12,280,815
IDA bond	14,735,000	15,230,000
Bill of Rights Trust held for affiliates	28,363,158	27,432,839
Total liabilities	85,866,394	75,288,892
Commitments and Contingency		
Net Assets		
Unrestricted:		
Board-designated	120,358,079	122,690,892
Undesignated	22,069,084	38,346,334
Total unrestricted	142,427,163	161,037,226
Temporarily restricted:		
Bill of Rights Trust and other endowments	17,801,954	17,090,961
Other time and purpose restrictions	39,222,234	29,738,508
Total temporarily restricted	57,024,188	46,829,469
Permanently restricted - Bill of Rights Trust and other endowments	42,282,522	40,761,715
Total net assets	241,733,873	248,628,410
Total liabilities and net assets	\$ 327,600,267	\$ 323,917,302

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended March 31, 2015

(with summarized comparative information for the year ended March 31, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Support:					
Grants and contributions	\$ 37,416,800	\$ 32,270,965	\$ 343,481	\$ 70,031,246	\$ 41,469,086
Donated legal services	6,840,383	-	-	6,840,383	7,590,429
Bequests	7,545,617	827,236	1,177,326	9,550,179	13,641,245
Total support	51,802,800	33,098,201	1,520,807	86,421,808	62,700,760
Revenue:					
Rental income	1,372,246	-	-	1,372,246	1,248,393
Pamphlet and book sales	6,161	-	-	6,161	2,923
Other income	19,282	-	-	19,282	94,287
Total revenue	1,397,689	-	-	1,397,689	1,345,603
Net Assets Released From Restrictions	26,143,316	(26,143,316)	-	-	-
Total support and revenue	79,343,805	6,954,885	1,520,807	87,819,497	64,046,363
Expenses					
Program services:					
Legislative	565,371	-	-	565,371	294,928
Legal	37,209,607	-	-	37,209,607	42,624,671
Public education	12,325,331	-	-	12,325,331	13,580,824
Civil liberties policy formulation	512,396	-	-	512,396	620,290
Affiliate support	28,617,006	-	-	28,617,006	26,793,990
Total program services	79,229,711	-	-	79,229,711	83,914,703
Supporting services:					
Management and general	5,192,577	-	-	5,192,577	5,148,065
Fund-raising	8,096,438	-	-	8,096,438	7,873,025
Total supporting services	13,289,015	-	-	13,289,015	13,021,090
Total expenses	92,518,726	-	-	92,518,726	96,935,793
Change in net assets before other changes	(13,174,921)	6,954,885	1,520,807	(4,699,229)	(32,889,430)
Other Changes in Net Assets					
Legal expenses awarded, net	3,842,201	-	-	3,842,201	2,504,624
Net investment income, gains and losses	6,888,589	3,291,744	-	10,180,333	12,732,235
Changes in value of					
split-interest agreements	(2,324,958)	(51,910)	-	(2,376,868)	(865,909)
Allocated share of pension liability	(13,840,974)	-	-	(13,840,974)	-
Total other changes in net assets	(5,435,142)	3,239,834	-	(2,195,308)	14,370,950
Change in net assets	(18,610,063)	10,194,719	1,520,807	(6,894,537)	(18,518,480)
Net Assets					
Beginning	161,037,226	46,829,469	40,761,715	248,628,410	267,146,890
Ending	\$ 142,427,163	\$ 57,024,188	\$ 42,282,522	\$ 241,733,873	\$ 248,628,410

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Year Ended March 31, 2015

(with summarized comparative information for the year ended March 31, 2014)

	2015										2014 Summarized Comparative Information
	Program Services					Supporting Services					
	Legislative	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total Program Services	Managemen t and General	Fund-raising	Total Supporting Services	Total Expenses	
Salaries	\$ 227,089	\$14,036,607	\$ 5,248,613	\$ 253,145	\$ 3,784,136	\$ 23,549,590	\$ 1,936,494	\$ 3,832,035	\$ 5,768,529	\$ 29,318,119	\$ 27,501,245
Employee benefits	71,072	4,272,343	1,413,197	44,130	1,125,650	6,926,392	566,684	1,101,157	1,667,841	8,594,233	10,003,415
Rent and occupancy	199,305	704,224	860,199	18,824	251,149	2,033,701	186,519	257,328	443,847	2,477,548	2,854,338
Books	2,388	215,247	95,624	756	26,490	340,505	6,103	48,742	54,845	395,350	412,137
Building depreciation	12,697	1,315,735	543,649	21,955	392,808	2,286,844	168,233	493,323	661,556	2,948,400	2,815,144
Equipment depreciation	8,273	606,199	217,218	6,985	138,785	977,460	54,529	162,887	217,416	1,194,876	894,993
Equipment rental and maintenance	419	497,131	180,305	210	113,529	791,594	48,999	127,797	176,796	968,390	503,869
Grants to affiliates	-	1,697,420	-	-	4,517,220	6,214,640	-	-	-	6,214,640	5,254,628
Shared portion of contributions	-	1,216,964	12,546	-	9,903,577	11,133,087	-	-	-	11,133,087	8,538,660
Shared portion of bequest	-	735,964	-	-	1,640,445	2,376,409	-	-	-	2,376,409	4,603,901
Meetings/conferences	1,216	57,401	55,274	9,784	163,530	287,205	40,171	110,833	151,004	438,209	287,370
Legal fees	255	-	11,598	12,295	75,075	99,223	126,326	24,739	151,065	250,288	302,651
Donated legal services	-	6,840,383	-	-	-	6,840,383	-	-	-	6,840,383	7,590,429
Accounting fees	-	-	-	-	-	-	30,000	-	30,000	30,000	13,300
Professional fundraising services	-	-	-	-	-	-	-	272,174	272,174	272,174	280,171
Other professional services	20,862	2,602,156	2,654,942	92,398	685,581	6,055,939	317,199	705,226	1,022,425	7,078,364	13,496,277
Interest expense	-	81,319	24,749	1,768	26,517	134,353	10,607	31,820	42,427	176,780	218,743
Postage and supplies	749	99,771	291,058	2,742	31,579	425,899	29,015	180,293	209,308	635,207	682,285
Publishing, printing and outreach	351	34,104	143,464	169	3,253	181,341	535	173,818	174,353	355,694	1,890,495
Special affiliate subsidies	-	-	-	-	5,121,629	5,121,629	-	-	-	5,121,629	4,721,616
Telephone	72	360,452	124,835	9	95,222	580,590	38,656	97,038	135,694	716,284	646,735
Telemarketing	-	-	19,792	-	-	19,792	-	178,128	178,128	197,920	73,137
Travel	14,744	1,094,639	239,840	37,538	224,411	1,611,172	139,265	192,743	332,008	1,943,180	1,958,754
Other grants and awards	-	648,000	-	-	-	648,000	-	-	-	648,000	112,064
Other expenses	5,879	93,548	188,428	9,688	296,420	593,963	1,493,242	106,357	1,599,599	2,193,562	1,279,436
Total - 2015	\$ 565,371	\$37,209,607	\$12,325,331	\$ 512,396	\$28,617,006	\$ 79,229,711	\$ 5,192,577	\$ 8,096,438	\$13,289,015	\$ 92,518,726	
Total - 2014	\$ 294,928	\$42,624,671	\$13,580,824	\$ 620,290	\$26,793,990	\$ 83,914,703	\$ 5,148,065	\$ 7,873,025	\$13,021,090		\$ 96,935,793

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ (6,894,537)	\$(18,518,480)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,143,276	3,710,137
Discount on pledges receivable	1,241,827	(86,668)
New beneficial interests in trusts	(513,916)	(781,855)
Changes in value of split-interest agreements	2,376,868	865,909
Net realized and unrealized gains on investments, net of adjustments for affiliate holdings	(3,855,975)	(6,531,485)
Allocated share of pension liability	13,840,974	-
Cash received on contributions restricted for endowment	(1,343,481)	(196,460)
Contributions subject to split-interest agreements	(485,634)	(615,749)
Changes in operating assets and liabilities:		
Due from/to affiliates	(99,562)	4,562,237
Pledges and contributions receivable	(12,431,980)	(1,529,216)
Other assets	580,565	(304,108)
Accounts payable and accrued expenses	(497,697)	527,445
Due to American Civil Liberties Union, Inc. - accrued pension liability	(1,753,337)	1,421,692
Due to American Civil Liberties Union, Inc. - other	(2,635,625)	(790,321)
Bill of Rights Trust held for affiliates	320,785	880,345
Net cash used in operating activities	(8,007,449)	(17,386,577)
Cash Flows From Investing Activities		
Proceeds from sale of investments	169,228,427	275,441,977
Purchase of investments	(151,648,023)	(252,959,075)
Purchase of office buildings, furniture, fixtures and office equipment	(3,166,635)	(2,797,610)
Net cash provided by investing activities	14,413,769	19,685,292
Cash Flows From Financing Activities		
Cash received on contributions restricted for endowment	1,343,481	196,460
Contributions subject to split-interest agreements	485,634	615,749
Payments on split-interest agreements	(1,588,778)	(1,688,734)
New annuities	525,034	752,739
Principal payments on IDA bond	(495,000)	(480,000)
Net cash provided by (used in) financing activities	270,371	(603,786)
Net change in cash and cash equivalents	6,676,691	1,694,929
Cash and Cash Equivalents:		
Beginning	8,309,493	6,614,564
Ending	\$ 14,986,184	\$ 8,309,493
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 212,987	\$ 260,409
Change in investments for Bill of Rights Trust held for affiliates	\$ 609,534	\$ 1,155,884

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Organization

The American Civil Liberties Union Foundation, Inc. (the Foundation) was 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 Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation is affiliated with the American Civil Liberties Union, Inc. (the Union), an organization that is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

The American Civil Liberties Union Foundation, Inc. and the American Civil Liberties Union, Inc. are collectively referred to as the "ACLU."

Both the Foundation and the Union are affiliated with 50 nonprofit, tax-exempt organizations in every state in the United States, 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 fundraise 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 American Civil Liberties Union Foundation, Inc. and its subsidiary, 915 15th Street, LLC (the LLC) (collectively referred to as 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 Union and 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 Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held temporarily in the investments portfolio are included in investments.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and related income, gains and losses: Investments are reported at fair value in the consolidated statement of financial position. The consolidated statement 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.

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 Foundation has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of investments in Level 1 generally include listed equities, mutual funds and exchange-traded funds.
- Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted market prices for similar assets or liabilities in markets that are not active, markets in which there are few transactions, prices are not current, or prices vary substantially over time. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges, as well as alternative investments that can be redeemed in the near term. 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 and real estate and ownership interests in alternative investments that cannot be redeemed in the near term.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value of financial instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments:

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.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Pledges and contributions receivable - The carrying amount is based on estimated present value of the anticipated cash inflows and allowances for doubtful accounts on contributions receivable if any 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 reflects market conditions.

There have been no changes in the methodologies used for estimating fair values of significant financial instruments as of March 31, 2015 and 2014.

Concentration of market and credit risk: The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments.

Exposure to credit risk is reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2015, the majority of the Foundation'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 Foundation 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 Foundation 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 Foundation's portfolio of investments held in managed accounts are provided principally by two financial institutions that held approximately 98% of the total portfolio at March 31, 2015.

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

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Net assets: The Foundation 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 Foundation 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 to be held in perpetuity.

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

The Foundation is subject to the New York 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 Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Contributions and related receivables: The Foundation 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 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 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 Foundation'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 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 Foundation'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 among the Foundation and the affiliates. Shared revenues are reported at gross amounts and the affiliates' share of the revenues are included as affiliate support expense in the consolidated statement of activities. The Foundation reports the affiliates' share of revenues as expenses when cash is received from the donor.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 Foundation's civil liberties litigation, in-kind professional legal 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 Foundation'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 Foundation is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The Foundation's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Donor concentration: Approximately 31% of the total grants, contributions and bequests revenue for the year ended March 31, 2015 were provided by two donors. In addition, approximately 79% of the gross pledges and contributions receivable at March 31, 2015 were due from three donors.

Functional expenses: The cost of providing the various program and supporting services of the Foundation 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.

Grants to affiliates: The Foundation recognizes grants to affiliates as expense when a formal agreement has been signed by both the Foundation and the affiliate, and any conditions set forth are met by the affiliate.

Legal awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976 and similar laws, 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 Foundation 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 Foundation's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is subject to taxes on unrelated business income, as applicable. The LLC is treated as a disregarded (tax) entity.

The Foundation file tax and information returns with the Internal Revenue Service (the IRS) and with various states.

Management evaluated the Foundation's tax positions and concluded that the organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying consolidated financial statements. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2011, which is the standard statute of limitations look-back period.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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 Foundation's consolidated financial statements as of and for the year ended March 31, 2014, from which the summarized information was derived.

Reclassifications: Certain 2014 amounts have been reclassified to conform with the 2015 consolidated financial statement presentation. The reclassifications have no impact on the previously reported 2014 total consolidated assets, liabilities, net assets, revenues, expenses and changes in net assets of the Foundation.

Evaluation of subsequent events: The Foundation 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 issued, which is September 29, 2015.

Recently issued accounting pronouncements: In October 2012, the 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 adoption of ASU 2012-04 did not have an impact on the 2015 consolidated financial statements of the Foundation.

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 Foundation's consolidated financial statements for subsequent periods has not yet been determined.

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 amendment in this update require a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with the cash donations 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 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. The Foundation adopted ASU 2012-05 in 2015 and, accordingly, reclassified the 2014 proceeds from sale of donated securities of \$3,260,487 from investing activities to operating activities in the consolidated statement of cash flows for the year ended March 31, 2014.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

In May 2015, the FASB issued ASU 2015-07 *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy investments for which fair values are measured at NAV using the practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Although the investments are not categorized within the fair value hierarchy, a reporting entity shall provide the amount measured using the net asset value per share (or its equivalent) practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the consolidated statement of financial position. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2016 for nonpublic entities. Early adoption is permitted and the Foundation has adopted ASU 2015-07 in 2015. The Foundation has applied the amendments retrospectively to all periods presented as required. Retrospective application in this case requires that investments valued using the NAV per share practical expedient be removed from the fair value hierarchy in all periods presented.

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 Foundation's sharing rules and payments related to certain affiliate subsidy programs.

Also included in the amounts due from affiliates are notes receivable and accrued interest of \$230,609 at March 31, 2015 and \$302,404 at March 31, 2014 due from certain affiliates. The remaining notes matures between August 15, 2015 and June 30, 2021 and accrue interest at the prime rate.

During each of the years ended March 31, 2015 and 2014, 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. These payments include charges for cleaning and other customary services.

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 and recognized in the accompanying consolidated financial statements amounted to \$8,137,164 and \$11,025,881 during the years ended March 31, 2015 and 2014, respectively. The Foundation also recognized rental income from the Union of approximately \$687,000 and \$542,000 for the years ended March 31, 2015 and 2014, respectively.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 2.71% to 3.52% 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:

	2015	2014
Receivable due within one year or less	\$ 7,732,172	\$ 11,436,112
Receivable due in more than one year to five years	15,610,920	1,475,000
Receivable due in over five years	2,000,000	-
	25,343,092	12,911,112
Less discount to present value	(1,421,552)	(179,725)
	<u>\$ 23,921,540</u>	<u>\$ 12,731,387</u>

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.

Approximately \$10,000,000 of pledges receivable as of March 31, 2015 are subject to the Foundation's revenue-sharing rules with affiliates. The affiliates' share of these revenues will be recognized as expenses by the Foundation upon the receipt of cash from donors.

In addition to the contributions receivable noted above, a certain 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 accounting principles generally accepted in the United States of America. Through March 31, 2015, the Foundation has received \$7,000,000 in contributions (from donor-advised funds) towards this intention to support, of which \$1,000,000 was recognized as revenue for the year ended March 31, 2015.

As of March 31, 2015, the Foundation has received approximately \$34,000,000 of commitments to make matching grants and contributions that have not been recognized in these consolidated financial statements. Revenues on these grants and contributions will be recognized by the Foundation in future periods as the matching requirements are met.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments

The following tables present the Foundation's investments that are measured at fair value on a recurring basis.

	Fair Value Measurements at March 31, 2015 Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 6,831,256	\$ 6,831,256	\$ -	\$ -
Equities	18,406,308	18,406,308	-	-
Corporate Bonds (by S&P rating):				
AAA - A-	6,498,159	-	6,498,159	-
BBB+ - B-	6,990,837	-	6,990,837	-
Total corporate bonds	13,488,996	-	13,488,996	-
U.S. Treasury Notes, agency and related	4,505,709	-	4,505,709	-
Mutual Funds				
Large-cap U.S. equity	26,559,257	26,559,257	-	-
Small-/mid-cap U.S. equity	6,489,388	6,489,388	-	-
International equity	35,082,996	35,082,996	-	-
Short-term bond	26,294,170	26,294,170	-	-
Intermediate-term bond	18,545,216	18,545,216	-	-
High-yield bond	12,444,544	12,444,544	-	-
International fixed income	1,928,666	1,928,666	-	-
Other bond	8,118,672	8,118,672	-	-
Real estate and commodities	5,410,193	5,410,193	-	-
Total mutual funds	140,873,102	140,873,102	-	-
Common Trust Funds ⁽¹⁾				
Large-cap U.S. equity	3,892,218	-	-	-
Small-/mid-cap U.S. equity	1,576,488	-	-	-
International equity	3,596,604	-	-	-
Intermediate-term bond	1,574,001	-	-	-
High-yield and other bonds	1,920,866	-	-	-
Real estate and hard assets (commodities)	728,707	-	-	-
Total common trust funds	13,288,884	-	-	-
Exchange-Traded Funds				
Large-cap U.S. equity	12,457,431	12,457,431	-	-
Small-/mid-cap U.S. equity	7,889,867	7,889,867	-	-
International equity	2,468,359	2,468,359	-	-
Short-term, long-term and intermediate-term bonds	5,354,300	5,354,300	-	-
Real estate and hard assets (commodities)	6,290,208	6,290,208	-	-
Total exchange-traded funds	34,460,165	34,460,165	-	-
Hedge Funds ⁽¹⁾	20,557,251	-	-	-
	\$252,411,671	\$200,570,831	\$ 17,994,705	\$ -

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

	Fair Value Measurements at March 31, 2014 Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 19,337,740	\$ 19,337,740	\$ -	\$ -
Equities	16,777,295	16,777,295	-	-
Corporate Bonds (by S&P rating):				
AAA - A-	14,307,824	-	14,307,824	-
BBB+ - B-	9,135,432	-	9,135,432	-
Total corporate bonds	23,443,256	-	23,443,256	-
U.S. Treasury Notes, agency and related	7,803,095	-	7,803,095	-
Mutual Funds				
Large-cap U.S. equity	25,128,717	25,128,717	-	-
Small-/mid-cap U.S. equity	6,574,302	6,574,302	-	-
International equity	31,150,032	31,150,032	-	-
Short-term bond	37,847,750	37,847,750	-	-
Intermediate-term bond	12,956,637	12,956,637	-	-
High-yield bond	22,204,116	22,204,116	-	-
International fixed income	3,927,396	3,927,396	-	-
Other bond	824,786	824,786	-	-
Real estate and commodities	5,245,675	5,245,675	-	-
Total mutual funds	145,859,411	145,859,411	-	-
Common Trust Funds ⁽¹⁾				
Large-cap U.S. equity	4,158,598	-	-	-
Small-/mid-cap U.S. equity	1,780,796	-	-	-
International equity	4,101,042	-	-	-
Intermediate-term bond	2,212,494	-	-	-
High-yield and other bonds	1,294,275	-	-	-
Real estate and hard assets (commodities)	873,537	-	-	-
Total common trust funds	14,420,742	-	-	-
Exchange-Traded Funds				
Large-cap U.S. equity	582,723	582,723	-	-
Small-/mid-cap U.S. equity	6,692,529	6,692,529	-	-
International equity	2,489,062	2,489,062	-	-
Short-term, long-term and intermediate-term bonds	5,215,355	5,215,355	-	-
Real estate and hard assets (commodities)	5,376,070	5,376,070	-	-
Total exchange-traded funds	20,355,739	20,355,739	-	-
Structured Notes				
International fixed income	1,480,088	-	1,480,088	-
Hard assets (commodities)	1,049,200	-	1,049,200	-
Total structured notes	2,529,288	-	2,529,288	-
Hedge Funds ⁽¹⁾	15,000,000	-	-	-
	\$265,526,566	\$202,330,185	\$ 33,775,639	\$ -

¹In accordance with the guidance provided by FASB ASU 2015-07, Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

The changes in investments in hedge funds measured at fair value using Level 3 inputs for the year ended March 31, 2014, is as follows:

	<u>Hedge Funds</u>
Balance, beginning of year	\$ 15,000,000
Change in accounting principle - adoption of ASU 2015-07	<u>(15,000,000)</u>
Balance, end of year	<u>\$ -</u>
Change in unrealized appreciation of investments still held at end of year	<u>\$ -</u>

Below are the valuation techniques used by the Foundation 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 or reported on the Nasdaq global market 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 or net asset value. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level 1 in the fair value hierarchy.

Investments in common trust funds and hedge funds are valued at fair value based on the applicable percentage ownership of the underlying net assets on the measurement date. In determining fair value, the Foundation utilizes, as a practical expedient, the net asset value (or equivalent) provided by the fund managers ("NAV of funds"). The underlying common trust funds and hedge funds value securities and other financial instruments on a fair value. The estimated fair values of certain investments of the underlying common trust funds or hedge 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 or sponsor of the hedge 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.

Investments that use the practical expedient are not classified within the fair value hierarchy.

The Foundation assesses the fair value hierarchy 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 2015 or 2014.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

The Foundation has the ability to redeem its investments in common trust funds on a daily or monthly basis. The objectives of the investments in common trust funds are to approximate as closely as practicable or to provide total investment returns that are in excess of the performance of the following benchmarks over time with certain risk parameters:

	Benchmark
Large-cap U.S. Equity	S&P 500 Index
Small-/mid-cap U.S. equity	Russell 2000 Index, S&P MidCap 400 Index
International equity	MSCI EAFE Index, MSCI Emerging Markets
Intermediate-term bond	Barclays U.S. Aggregate Bond Index, Barclays U.S. Intermediate Bond Index
High-yield and other bonds	Barclays U.S. Treasury Inflation Protected Securities Index, Barclays Corporate High Yield 2% Issuer Cap Index
Real estate and hard assets (commodities)	Dow Jones U.S. Select REIT Index, Dow Jones-UBS Commodity Total Return Index

The investment in hedge funds include two funds for which the Foundation does not have the ability to redeem the investments on March 31, 2015 or in the near term, which is defined as 90 days or less from March 31, 2015. The investment objective of the hedge fund is to generate consistent capital appreciation over the long term, with relatively low volatility and a low correlation with traditional equity and fixed income markets. The Foundation has no unfunded commitments on these investments as of March 31, 2015.

The investments are held for the following purposes:

	2015	2014
Bill of Rights Trust, inclusive of endowments held in perpetuity of \$40,735,196 and \$39,396,715 at March 31, 2015 and 2014, respectively (Note 9)	\$ 85,877,770	\$ 82,921,652
Split-interest agreements (Note 7)	20,749,820	21,530,028
Other endowment, special projects, program support and operating reserves	145,784,081	161,074,886
	<u>\$ 252,411,671</u>	<u>\$ 265,526,566</u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

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

	2015	2014
Interest and dividends	\$ 7,235,458	\$ 7,127,784
Net realized and unrealized gains on investments	4,465,509	7,687,369
Total	11,700,967	14,815,153
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	(1,520,634)	(2,082,918)
Net investment income, gains and losses	<u>\$ 10,180,333</u>	<u>\$ 12,732,235</u>

Investment management and custodial fees amounted to approximately \$730,000 for 2015 and \$763,400 for 2014, and are included as other professional services in the consolidated statement of functional expenses.

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

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

	2015	2014	Range of Estimated Useful Life
Land, office buildings and office condominium	\$ 51,101,848	\$ 48,958,001	10 to 50 years
Furniture, fixtures and office equipment	7,402,766	6,379,978	3 to 15 years
	58,504,614	55,337,979	
Less accumulated depreciation	(29,765,706)	(25,622,430)	
	<u>\$ 28,738,908</u>	<u>\$ 29,715,549</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, any balance of the amount in the split-interest account reverts to the Foundation.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7. Split-Interest Agreements (Continued)

The Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately \$1,458,000 in accordance with the agreements.

In addition, the Foundation has 8 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:

	2015	2014
Assets - investments	\$ 20,749,820	\$ 21,530,028
Liabilities under split-interest agreements	13,615,080	12,280,815
	<u>\$ 7,134,740</u>	<u>\$ 9,249,213</u>

Asset balances at March 31, 2015 and 2014 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 8.5% 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 trusts, using discount rates ranging from 1.93% to 5%. These rates approximate the rates of return on the assets held in the trusts, and are commensurate with the risks that management associates with the ultimate collection of the trusts. 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.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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. In November 2011, the Foundation redeemed \$1,250,000 of IDA bonds.

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 interest on the 2005 IDA bonds on the scheduled due dates and on redemption, and to provide a facility for payment of the purchase price of the bonds upon the mandatory or optional tender thereof. Among other agreements, the Foundation also entered into a remarketing agreement with a certain financial institution to act as exclusive remarketing agent in connection with the offering and sale from time to time of the bonds in the secondary market after the initial offering, issuance and sale of the 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. On December 1, 2013, the letter of credit was amended for certain financial reporting requirements and covenants. Interest and other charges including letter of credit charges related to the 2005 IDA bonds were approximately \$213,000 and \$269,000 for the years ended March 31, 2015 and 2014, respectively.

The letter of credit agreement, as amended and restated, includes various covenants which, among other matters, require the Foundation to 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.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8. IDA Bond Financing (Continued)

Principal payments under the above obligation in each of the five years subsequent to March 31, 2015 and thereafter are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2016	\$ 515,000
2017	530,000
2018	555,000
2019	575,000
2020	595,000
Thereafter	11,965,000
	<u>\$ 14,735,000</u>

Note 9. The Bill of Rights Trust and Other Endowments

In 1997, the Foundation and the Section 501(c)(3) arms of the affiliates (the Affiliate Foundations) established the Bill of Rights Trust (BORT). The purpose of BORT, 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. BORT has 100,000,000 authorized units, which are issued to or among the Foundation and Affiliate Foundations based upon their respective interests in BORT. Unit shares have a unit value based upon the fair value of the net assets of BORT divided by the total number of unit shares outstanding. BORT permits 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, 2015 and 2014, BORT allowed 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, 2014 and 2013, respectively. Each unit holder, including the Foundation and the participating Affiliate Foundations, must establish that it has determined the appropriation to be prudent before the distribution is disbursed. Actual distributions during the years ended March 31, 2015 and 2014 amounted to \$2,178,262 and \$2,080,570, respectively.

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 BORT.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 9. The Bill of Rights Trust and Other Endowments (Continued)

At March 31, 2015 and 2014, BORT comprised the following accounts and amounts that are included in the consolidated statements of financial position:

	2015	2014
Assets		
Investments	\$ 85,877,770	\$ 82,921,652
Other assets	145,204	137,443
	<u>\$ 86,022,974</u>	<u>\$ 83,059,095</u>
Liabilities and Net Assets		
Held for Affiliate Foundations	\$ 28,363,158	\$ 27,432,839
Temporarily restricted net assets	16,924,620	16,229,541
Permanently restricted net assets	40,735,196	39,396,715
	<u>\$ 86,022,974</u>	<u>\$ 83,059,095</u>

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

	2015			2014		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 17,090,961	\$ 40,761,715	\$ 57,852,676	\$ 15,226,487	\$ 40,565,255	\$ 55,791,742
Investment return						
Interest and dividends	2,195,073	-	2,195,073	2,024,850	-	2,024,850
Net realized and unrealized gains on investments	1,010,228	-	1,010,228	1,992,603	-	1,992,603
Investment fees and expenses	(244,616)	-	(244,616)	(155,596)	-	(155,596)
Net investment return	<u>2,960,685</u>	<u>-</u>	<u>2,960,685</u>	<u>3,861,857</u>	<u>-</u>	<u>3,861,857</u>
Other changes during the year						
Contributions	-	1,343,481	1,343,481	-	196,460	196,460
Appropriation of endowment assets for expenditures	(2,249,692)	-	(2,249,692)	(1,997,383)	-	(1,997,383)
Total	<u>(2,249,692)</u>	<u>1,343,481</u>	<u>(906,211)</u>	<u>(1,997,383)</u>	<u>196,460</u>	<u>(1,800,923)</u>
Endowment net assets, end of year	<u>\$ 17,801,954</u>	<u>\$ 42,105,196</u>	<u>\$ 59,907,150</u>	<u>\$ 17,090,961</u>	<u>\$ 40,761,715</u>	<u>\$ 57,852,676</u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingency

The Foundation leases office space in various locations under various short-term operating leases.

The Foundation is currently in litigation with the insurers of 125 Broad Street offices in connection with the damages caused to the building by Hurricane Sandy in October 2012. The amounts recoverable cannot be determined at present.

The Foundation is involved in other 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 Foundation or the consolidated results of its activities.

Note 11. Retirement Plans

The Foundation participates in the American Civil Liberties Union Retirement Plan (the Pension Plan), a retirement plan covering eligible employees of the Union, the Foundation and their 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 Union'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). The Union charges the Foundation its share of the net periodic pension costs. For the years ended March 31, 2015 and 2014, the cost incurred by the Foundation in connection with the Pension Plan amounted to \$1,324,459 and \$3,077,796, respectively.

On January 1, 2015, the Pension Plan was amended and restated to include, among other things, a provision for additional contribution due on withdrawal or freezing of benefits by an employer. The liability attributed to the employer or former employer is determined based upon the sum of the present value of the accrued benefits for each of the participants associated with the employer or former employer determined as of the last day of the plan year preceding the date as of which the withdrawal contribution is calculated. Accordingly, as of March 31, 2015, the Foundation recognized \$13,840,974 of withdrawal contribution liability due to the Union. Disclosures on the funded status and other information on the Pension Plan are included in the consolidated financial statements of the ACLU.

The Union implemented a "soft freeze" of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009 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 Foundation contributed \$628,112 in 2015 and \$538,014 in 2014.

Eligible Foundation 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.

Effective April 8, 2011, eligible employees of the Foundation can participate in the unfunded, nonqualified 457(b) plan maintained by the Union.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 12. Net Assets

Net assets comprise the following:

	2015	2014
Unrestricted		
Undesignated	\$ 22,069,084	\$ 38,346,334
Board-designated:		
Litigation Fund	8,073,468	8,923,181
California Annuity Fund	2,187,223	891,760
Annuity Reserve	4,351,806	7,252,404
Organizational Fund	18,235,190	18,341,689
Jacobs Affiliate Development Fund	5,468,521	8,203,423
Dividend Distribution Fund	72,337,133	68,894,869
John Adams Fund	9,704,738	10,183,566
Total board-designated	120,358,079	122,690,892
Total unrestricted	142,427,163	161,037,226
Temporarily Restricted		
Bill of Rights Trust and other endowments	17,801,954	17,090,961
Trusts	2,989,852	2,423,554
Other time and purpose restrictions	36,232,382	27,314,954
Total temporarily restricted	57,024,188	46,829,469
Permanently Restricted - Bill of Rights Trust and other endowments	42,282,522	40,761,715
	\$ 241,733,873	\$ 248,628,410

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2015 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

Special Projects	
Speech, Privacy and Technology and National Security	\$ 1,329,209
Prisoners' Rights and Smart Justice	1,116,400
Immigrants' Rights	2,936,253
Reproductive Freedom	2,559,806
Women's Rights	233,660
Criminal Law Reform	377,174
LGBT/Marriage Equality	3,225,050
Voting Rights	2,037,561
Racial Justice	331,806
Other special projects	6,530,771
Total special projects	<u>20,677,690</u>
Bill of Rights Trust and other endowments	2,494,308
Time-Restricted Gifts	<u>2,971,318</u>
Total released from restrictions	<u><u>\$26,143,316</u></u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

**Consolidating Statement of Financial Position
March 31, 2015**

	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
Assets				
Cash and Cash Equivalents	\$ 14,817,699	\$ 168,485	\$ -	\$ 14,986,184
Pledges and Contributions Receivable, net	23,921,540	-	-	23,921,540
Investments	252,411,671	-	-	252,411,671
Other Assets	1,118,359	10,364	-	1,128,723
Due From Affiliates	4,559,766	-	-	4,559,766
Due to the ACLU Foundation from the LLC	9,218,895	-	(9,218,895)	-
Investment in 915 15th Street, LLC	(1,171,255)	-	1,171,255	-
Beneficial Interest in Trusts	1,853,475	-	-	1,853,475
Land, Office Buildings, Furniture, Fixtures and Office Equipment, Net of Accumulated Depreciation	20,796,007	7,942,901	-	28,738,908
Total assets	\$ 327,526,157	\$ 8,121,750	\$ (8,047,640)	\$ 327,600,267
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 3,566,415	\$ 74,110	\$ -	\$ 3,640,525
Due from the LLC to the ACLU Foundation	-	9,218,895	(9,218,895)	-
Due to the American Civil Liberties Union, Inc.:				
Accrued pension liability	1,324,459	-	-	1,324,459
Allocated share of pension liability	13,840,974	-	-	13,840,974
Others	3,579,585	-	-	3,579,585
Due to affiliates	6,767,613	-	-	6,767,613
Liabilities under split-interest agreements	13,615,080	-	-	13,615,080
IDA bond	14,735,000	-	-	14,735,000
Bill of Rights Trust held for affiliates	28,363,158	-	-	28,363,158
Total liabilities	85,792,284	9,293,005	(9,218,895)	85,866,394
Commitments and Contingency				
Net Assets				
Unrestricted:				
Board-designated	120,358,079	-	-	120,358,079
Undesignated	22,069,084	(1,171,255)	1,171,255	22,069,084
Total unrestricted	142,427,163	(1,171,255)	1,171,255	142,427,163
Temporarily restricted:				
Bill of Rights Trust and other endowments	17,801,954	-	-	17,801,954
Other time and purpose restrictions	39,222,234	-	-	39,222,234
Total temporarily restricted	57,024,188	-	-	57,024,188
Permanently restricted - Bill of Rights Trust and other endowments				
	42,282,522	-	-	42,282,522
Total net assets	241,733,873	(1,171,255)	1,171,255	241,733,873
Total liabilities and net assets	\$ 327,526,157	\$ 8,121,750	\$ (8,047,640)	\$ 327,600,267

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Activities
Year Ended March 31, 2015

	American Civil Liberties Union Foundation, Inc.				915 15th Street, LLC		Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue										
Support:										
Grants and contributions	\$ 37,416,800	\$ 32,270,965	\$ 343,481	\$ 70,031,246	\$ -	\$ -	\$ 37,416,800	\$ 32,270,965	\$ 343,481	\$ 70,031,246
Donated legal services	6,840,383	-	-	6,840,383	-	-	6,840,383	-	-	6,840,383
Bequests	7,545,617	827,236	1,177,326	9,550,179	-	-	7,545,617	827,236	1,177,326	9,550,179
Total support	51,802,800	33,098,201	1,520,807	86,421,808	-	-	51,802,800	33,098,201	1,520,807	86,421,808
Revenue:										
Rental income	857,727	-	-	857,727	829,723	(315,204)	1,372,246	-	-	1,372,246
Pamphlet and book sales	6,161	-	-	6,161	-	-	6,161	-	-	6,161
Other income	19,282	-	-	19,282	-	-	19,282	-	-	19,282
Total revenue	883,170	-	-	883,170	829,723	(315,204)	1,397,689	-	-	1,397,689
Net Assets Released From Restrictions	26,143,316	(26,143,316)	-	-	-	-	26,143,316	(26,143,316)	-	-
Total support and revenue	78,829,286	6,954,885	1,520,807	87,304,978	829,723	(315,204)	79,343,805	6,954,885	1,520,807	87,819,497
Expenses										
Program services:										
Legislative	565,371	-	-	565,371	-	-	565,371	-	-	565,371
Legal	37,524,811	-	-	37,524,811	-	(315,204)	37,209,607	-	-	37,209,607
Public education	12,325,331	-	-	12,325,331	-	-	12,325,331	-	-	12,325,331
Civil liberties policy formulation	512,396	-	-	512,396	-	-	512,396	-	-	512,396
Affiliate support	28,617,006	-	-	28,617,006	-	-	28,617,006	-	-	28,617,006
Total program services	79,544,915	-	-	79,544,915	-	(315,204)	79,229,711	-	-	79,229,711
Supporting services:										
Management and general	4,226,584	-	-	4,226,584	965,993	-	5,192,577	-	-	5,192,577
Fund-raising	8,096,438	-	-	8,096,438	-	-	8,096,438	-	-	8,096,438
Total supporting services	12,323,022	-	-	12,323,022	965,993	-	13,289,015	-	-	13,289,015
Total expenses	91,867,937	-	-	91,867,937	965,993	(315,204)	92,518,726	-	-	92,518,726
Change in net assets before other changes	(13,038,651)	6,954,885	1,520,807	(4,562,959)	(136,270)	-	(13,174,921)	6,954,885	1,520,807	(4,699,229)
Other Changes in Net Assets										
Legal expenses awarded, net	3,842,201	-	-	3,842,201	-	-	3,842,201	-	-	3,842,201
Net investment income, gains and losses	6,888,589	3,291,744	-	10,180,333	-	-	6,888,589	3,291,744	-	10,180,333
Changes in value of split-interest agreements	(2,324,958)	(51,910)	-	(2,376,868)	-	-	(2,324,958)	(51,910)	-	(2,376,868)
Net loss on investment in 915 15th Street, LLC	(136,270)	-	-	(136,270)	-	136,270	-	-	-	-
Allocated share of pension liability	(13,840,974)	-	-	(13,840,974)	-	-	(13,840,974)	-	-	(13,840,974)
Total other changes in net assets	(5,571,412)	3,239,834	-	(2,331,578)	-	136,270	(5,435,142)	3,239,834	-	(2,195,308)
Change in net assets	(18,610,063)	10,194,719	1,520,807	(6,894,537)	(136,270)	136,270	(18,610,063)	10,194,719	1,520,807	(6,894,537)
Net Assets										
Beginning	161,037,226	46,829,469	40,761,715	248,628,410	(1,034,985)	1,034,985	161,037,226	46,829,469	40,761,715	248,628,410
Ending	\$ 142,427,163	\$ 57,024,188	\$ 42,282,522	\$ 241,733,873	\$ (1,171,255)	\$ 1,171,255	\$ 142,427,163	\$ 57,024,188	\$ 42,282,522	\$ 241,733,873