

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING FINANCIAL STATEMENTS

March 31, 2023
(With Comparative Totals for March 31, 2022)



AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

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INDEPENDENT AUDITOR'S REPORT

February 26, 2024

To the Board of Directors
American Civil Liberties Union of Michigan and
American Civil Liberties Union Fund of Michigan

Opinion

We have audited the combining financial statements of the American Civil Liberties Union of Michigan (the "Union") and the American Civil Liberties Union Fund of Michigan (the "Fund") (collectively, the "Organizations", Michigan non-profit Corporations), which comprise the combining statement of financial position as of March 31, 2023, the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related statements of functional expenses for the Union and for the Fund for the year then ended, as well as the related notes to the combining financial statements.

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the separate and combining financial positions of the Union and the Fund as of March 31, 2023, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Combining Financial Statements" section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter — Prior Period Adjustment

As discussed in Note A to the combining financial statements, the Organizations' management identified certain errors in the amounts of pledges receivable and contributions previously reported in the combining financial statements as of March 31, 2022, and for the year then ended.

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INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Emphasis of Matter — Prior Period Adjustment (continued)

Accordingly, amounts reported for these balances have been restated in the combining financial statements as of, and for the year ended, March 31, 2022 now presented, and an adjustment has been made to net assets with donor restrictions as of March 31, 2022, to correct these errors. Our opinion is not modified with respect to that matter.

Emphasis of Matter — Adoption of New Accounting Pronouncements

As discussed in Note A, effective April 1, 2022, the Organizations have adopted the provisions contained in Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

Other Matter — Report on Summarized Comparative Information

We have previously audited the Organizations’ combining financial statements as of, and for the year ended, March 31, 2022, and we expressed an unmodified opinion on those audited combining financial statements in our report dated October 6, 2022. In our opinion, the summarized comparative information presented herein as of, and for the year ended, March 31, 2022 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

Responsibilities of Management for the Combining Financial Statements

The Organizations’ management is responsible for the preparation and fair presentation of the combining financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combining financial statements, management is required to evaluate whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations’ ability to continue as a going concern for one year after the date that the combining financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Combining Financial Statements

Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Combining Financial Statements (continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the combining financial statements, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combining financial statements.
- We obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the combining financial statements.
- We conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

GJC CPAs & Advisors

Detroit, Michigan

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF FINANCIAL POSITION

March 31, 2023
(With Comparative Totals as of March 31, 2022)

	2023		Combined Totals	
	American Civil Liberties Union of Michigan ("Union")	American Civil Liberties Union Fund of Michigan ("Fund")	2023	2022 (Restated)
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,096,888	\$ 5,220,543	\$ 8,317,431	\$ 8,034,409
Pledges receivable – current portion (Note C)	4,884	804,572	809,456	2,131,391
Operating investments (Note E)	-	759,127	759,127	605,128
Prepaid expenses	17,529	72,698	90,227	64,161
Due from National organization (Note D)	623,298	-	623,298	449,664
Total Current Assets	3,742,599	6,856,940	10,599,539	11,284,753
Other Assets:				
Pledges receivable (net of current portion) (Note C)	-	250,285	250,285	16,734
Funds designated for long-term investment (Note E)	-	2,855,866	2,855,866	3,116,604
Property and equipment (net of accumulated depreciation) (Note F)	3,798	1,072,221	1,076,019	1,158,505
Right-of-use assets under operating leases (Note G)	-	34,133	34,133	-
Total Other Assets	3,798	4,212,505	4,216,303	4,291,843
Total Assets	\$ 3,746,397	\$ 11,069,445	\$ 14,815,842	\$ 15,576,596

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF FINANCIAL POSITION (CONTINUED)

March 31, 2023
(With Comparative Totals as of March 31, 2022)

	2023		Combined Totals	
	Union	Fund	2023	2022 (Restated)
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 6,305	\$ 20,641	\$ 26,946	\$ 138,790
Accrued payroll	70,674	279,327	350,001	265,695
Deferred revenue	300	-	300	6,000
Accrued pension	90,024	197,270	287,294	255,592
Fiduciary funds held for others	-	140,022	140,022	48,120
Due to National organization (Note D)	-	660,258	660,258	-
Operating lease liabilities – current portion (Note G)	-	24,847	24,847	-
Total Current Liabilities	167,303	1,322,365	1,489,668	714,197
Long-Term Liabilities:				
Unfunded pension obligation (Note K)	92,121	201,865	293,986	500,034
Operating lease liabilities (net of current portion (Note G))	-	9,286	9,286	-
Total Long-Term Liabilities	92,121	211,151	303,272	500,034
Total Liabilities	259,424	1,533,516	1,792,940	1,214,231
Net Assets:				
Net assets without donor restrictions:				
Board-designated for long-term investment (Note E)	-	2,855,866	2,855,866	3,116,604
Undesignated	3,324,752	4,985,649	8,310,401	8,643,060
Total Net Assets without Donor Restrictions	3,324,752	7,841,515	11,166,267	11,759,664
Net assets with donor restrictions (Note B)	162,221	1,694,414	1,856,635	2,602,701
Total Net Assets	3,486,973	9,535,929	13,022,902	14,362,365
Total Liabilities and Net Assets	\$ 3,746,397	\$ 11,069,445	\$ 14,815,842	\$ 15,576,596

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF ACTIVITIES

**For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)**

	2023		Combined Totals	
	Union	Fund	2023	2022 (Restated)
Changes in Net Assets without Donor Restrictions:				
Revenue:				
Membership share	\$ 1,590,965	\$ -	\$ 1,590,965	\$ 1,415,225
Contributions and other support	275,967	1,479,138	1,755,105	1,189,026
Intra-organization support (Note H)	149,534	(149,534)	-	-
Revenue sharing, net (Note I)	175,397	(371,823)	(196,426)	808,702
Attorney fees	-	1,175,448	1,175,448	96,946
Literature sales and other revenue	3,600	8,927	12,527	12,517
Investment return, net (Note E)	72,694	(81,323)	(8,629)	98,206
In-kind contributions (Note J)	-	4,939,853	4,939,853	2,860,701
Total Revenue without Donor Restrictions	2,268,157	7,000,686	9,268,843	6,481,323
Net assets released from restrictions (Note B)	318,523	2,077,629	2,396,152	2,256,669
Total Revenue and Other Support without Donor Restrictions	2,586,680	9,078,315	11,664,995	8,737,992
Expenses:				
Program services:				
Legislative	2,546,310	-	2,546,310	1,339,651
Advocacy and outreach	461,063	-	461,063	505,372
Member service	115,338	-	115,338	219,638
Litigation	-	6,440,433	6,440,433	4,373,799
Communications and outreach	-	1,438,903	1,438,903	1,024,670
Total Program Services	3,122,711	7,879,336	11,002,047	7,463,130
Supporting services:				
Management and general	198,590	743,745	942,335	821,993
Fundraising	-	520,057	520,057	547,380
Total Supporting Services	198,590	1,263,802	1,462,392	1,369,373
Total Expenses	3,321,301	9,143,138	12,464,439	8,832,503
Change in Net Assets without Donor Restrictions from Operations	\$ (734,621)	\$ (64,823)	\$ (799,444)	\$ (94,511)

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF ACTIVITIES (CONTINUED)

For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)

	<u>2023</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2023</u>	<u>2022 (Restated)</u>
Changes in Net Assets without Donor Restrictions (continued):				
Other changes:				
Nonperiodic pension provision (Note K)	<u>\$ 63,464</u>	<u>\$ 142,583</u>	<u>\$ 206,047</u>	<u>\$ 245,609</u>
Change in Net Assets without Donor Restrictions	<u>(671,157)</u>	<u>77,760</u>	<u>(593,397)</u>	<u>151,098</u>
Changes in Net Assets with Donor Restrictions:				
Contributions	350,000	1,300,086	1,650,086	3,574,309
Net assets released from restrictions (Note B)	<u>(318,523)</u>	<u>(2,077,629)</u>	<u>(2,396,152)</u>	<u>(2,256,669)</u>
Change in Net Assets with Donor Restrictions	<u>31,477</u>	<u>(777,543)</u>	<u>(746,066)</u>	<u>1,317,640</u>
Change in Net Assets	<u>(639,680)</u>	<u>(699,783)</u>	<u>(1,339,463)</u>	<u>1,468,738</u>
Net Assets, Beginning of Year	<u>4,126,653</u>	<u>10,235,712</u>	<u>14,362,365</u>	<u>12,893,627</u>
Net Assets, End of Year	<u><u>\$ 3,486,973</u></u>	<u><u>\$ 9,535,929</u></u>	<u><u>\$ 13,022,902</u></u>	<u><u>\$ 14,362,365</u></u>

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF FUNCTIONAL EXPENSES

**For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)**

	2023									Total Expenses	
	Program Services						Supporting Services			2023	2022
	Legislative	Advocacy and Outreach	Member Service	Litigation	Communications and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel costs	\$ 313,656	\$ 319,303	\$ 88,118	\$ 1,170,530	\$ 734,713	\$ 2,626,320	\$ 616,091	\$ 398,449	\$ 1,014,540	\$ 3,640,860	\$ 3,251,939
Pension (Note K)	24,750	25,196	6,953	92,364	57,975	207,238	48,615	31,441	80,056	287,294	255,592
Professional and contractual fees	72,774	57,887	6,292	50,910	291,743	479,606	160,463	26,214	186,677	666,283	909,490
Occupancy	12,025	14,768	4,262	53,629	42,616	127,300	22,827	14,430	37,257	164,557	181,733
Office expenses	15,284	18,814	5,461	68,161	78,166	185,886	49,791	21,769	71,560	257,446	233,553
Program activities and materials	2,096,603	171	171	37,062	7,164	2,141,171	1,155	985	2,140	2,143,311	905,670
Printing and publications	-	11,148	105	-	186,773	198,026	-	11,165	11,165	209,191	72,836
Conferences, conventions, and meetings	4,190	5,145	1,485	18,684	14,847	44,351	7,951	5,029	12,980	57,331	61,765
Bad debt expense	-	-	-	-	-	-	-	2,142	2,142	2,142	-
Donated services (Note J)	-	-	-	4,917,751	-	4,917,751	22,102	-	22,102	4,939,853	2,860,701
Total Expenses Before Depreciation	2,539,282	452,432	112,847	6,409,091	1,413,997	10,927,649	928,995	511,624	1,440,619	12,368,268	8,733,279
Depreciation (Note A)	7,028	8,631	2,491	31,342	24,906	74,398	13,340	8,433	21,773	96,171	99,224
Total Expenses	\$ 2,546,310	\$ 461,063	\$ 115,338	\$ 6,440,433	\$ 1,438,903	\$ 11,002,047	\$ 942,335	\$ 520,057	\$ 1,462,392	\$ 12,464,439	\$ 8,832,503

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

STATEMENTS OF FUNCTIONAL EXPENSES —
AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN

For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)

	2023					Total Expenses	
	Program Services				Supporting Services		
	Legislative	Advocacy and Outreach	Member Service	Total Program Services	Management and General	2023	2022
Personnel costs	\$ 313,656	\$ 319,303	\$ 88,118	\$ 721,077	\$ 145,233	\$ 866,310	\$ 796,502
Pension (Note K)	24,750	25,196	6,953	56,899	11,460	68,359	79,528
Professional and contractual fees	72,774	57,887	6,292	136,953	22,113	159,066	489,695
Occupancy	12,025	14,768	4,262	31,055	5,696	36,751	43,717
Office expenses	15,284	18,814	5,461	39,559	8,605	48,164	58,816
Program activities and materials	2,096,603	171	171	2,096,945	171	2,097,116	715,446
Printing and publications	-	11,148	105	11,253	-	11,253	45,981
Conferences, conventions, and meetings	4,190	5,145	1,485	10,820	1,983	12,803	14,857
Total Expenses Before Depreciation	2,539,282	452,432	112,847	3,104,561	195,261	3,299,822	2,244,542
Depreciation (Note A)	7,028	8,631	2,491	18,150	3,329	21,479	23,869
Total Expenses	\$ 2,546,310	\$ 461,063	\$ 115,338	\$ 3,122,711	\$ 198,590	\$ 3,321,301	\$ 2,268,411

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

STATEMENTS OF FUNCTIONAL EXPENSES —
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN

For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)

	2023						Total Expenses	
	Program Services			Supporting Services				
	Litigation	Communications and Outreach	Total Program Services	Management and General	Fundraising	Total Supporting Services	2023	2022
Personnel costs	\$ 1,170,530	\$ 734,713	\$ 1,905,243	\$ 470,858	\$ 398,449	\$ 869,307	\$ 2,774,550	\$ 2,455,437
Pension (Note K)	92,364	57,975	150,339	37,155	31,441	68,596	218,935	176,064
Professional and contractual fees	50,910	291,743	342,653	138,350	26,214	164,564	507,217	419,795
Occupancy	53,629	42,616	96,245	17,131	14,430	31,561	127,806	138,016
Office expenses	68,161	78,166	146,327	41,186	21,769	62,955	209,282	174,737
Program activities and materials	37,062	7,164	44,226	984	985	1,969	46,195	190,224
Printing and publications	-	186,773	186,773	-	11,165	11,165	197,938	26,855
Conferences, conventions, and meetings	18,684	14,847	33,531	5,968	5,029	10,997	44,528	46,908
Bad debt expense	-	-	-	-	2,142	2,142	2,142	-
Donated services (Note J)	4,917,751	-	4,917,751	22,102	-	22,102	4,939,853	2,860,701
Total Expenses Before Depreciation	6,409,091	1,413,997	7,823,088	733,734	511,624	1,245,358	9,068,446	6,488,737
Depreciation (Note A)	31,342	24,906	56,248	10,011	8,433	18,444	74,692	75,355
Total Expenses	\$ 6,440,433	\$ 1,438,903	\$ 7,879,336	\$ 743,745	\$ 520,057	\$ 1,263,802	\$ 9,143,138	\$ 6,564,092

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

COMBINING STATEMENTS OF CASH FLOWS

For the Year Ended March 31, 2023
(With Comparative Totals for the Year Ended March 31, 2022)

	2023		Combined Totals	
	Union	Fund	2023	2022
Cash Flows from Operating Activities:				
Cash received from members	\$ 1,079,607	\$ -	\$ 1,079,607	\$ 1,608,323
Cash received from contributors and revenue sharing	830,143	4,462,846	5,292,989	5,591,026
Cash received from attorney fees	-	1,175,448	1,175,448	96,946
Cash received from other sources	3,900	2,927	6,827	18,517
Cash received from investment income	72,694	179,772	252,466	63,374
Cash paid for personnel costs	(813,114)	(2,999,033)	(3,812,147)	(3,511,989)
Cash paid to suppliers and vendors	(2,392,939)	(1,151,188)	(3,544,127)	(2,381,955)
Net Cash Flows from Operating Activities	(1,219,709)	1,670,772	451,063	1,484,242
Cash Flows from Investing Activities:				
Acquisition of property and equipment	-	(13,685)	(13,685)	(17,696)
Proceeds received from disposition of investments	-	207,427	207,427	25,190
Acquisition of investments	-	(361,783)	(361,783)	(87,365)
Net Cash Flows from Investing Activities	-	(168,041)	(168,041)	(79,871)
Change in Cash and Cash Equivalents	(1,219,709)	1,502,731	283,022	1,404,371
Cash and Cash Equivalents, Beginning of Year	4,316,597	3,717,812	8,034,409	6,630,038
Cash and Cash Equivalents, End of Year	\$ 3,096,888	\$ 5,220,543	\$ 8,317,431	\$ 8,034,409

See notes to combining financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
AMERICAN CIVIL LIBERTIES UNION FUND OF MICHIGAN
(Michigan Non-Profit Corporations)

NOTES TO COMBINING FINANCIAL STATEMENTS

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Nature of Activities and Purpose

The American Civil Liberties Union of Michigan (the “Union”) and the American Civil Liberties Union Fund of Michigan (the “Fund”) are Michigan non-profit Corporations organized to preserve, protect, and advance for all persons the provisions of the Bill of Rights and other civil rights and civil liberties. The Union and the Fund are affiliates, respectively, of American Civil Liberties Union, Inc. and American Civil Liberties Union Foundation, Inc. (collectively, the “National ACLU”).

The Union and the Fund are affiliated as a result of having a common Board of Directors and management team. The accompanying combining financial statements include the accounts of the Union and the Fund (collectively, the “Organizations”). All material intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

The Organizations’ program and supporting services are as follows:

Program Services

The Union’s primary method of accomplishing its mission is through legislative advocacy, which includes support for proposals that would advance or preserve civil liberties and opposition against proposals that would harm civil liberties, advocacy and outreach to the public on civil rights issues, and member service, which provides activities meant to attract new members and to keep current members active in the Union.

The Fund’s primary method of accomplishing its mission is through litigation, used as a method to advance a civil liberties concern, and through communications and outreach to the public on civil rights issues.

Management and General

This service includes the functions necessary to maintain an adequate working environment, to provide the proper administrative support of the Organizations’ programs, and to manage the financial and budgeting responsibilities of the Organizations. Management and general activities relate to the overall direction of the Organizations. They are not identifiable with a particular program or fundraising activity, but they are indispensable to the conduct of those activities and are essential to the Organizations.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Nature of Organizations (continued)

Fundraising

This service provides the structure necessary to encourage and secure support from individuals, foundations, corporations, and others for the Organizations.

Basis of Accounting

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

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases:

- Finance leases, which are accounted for in substantially the same manner as the accounting for capital leases under previous guidance
- Operating leases, which are accounted for (both in the statement of activities and in the statement of cash flows) in a manner consistent with the accounting for operating leases under previous guidance

ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Organizations adopted the provisions of ASU 2016-02 as of April 1, 2022, using the retrospective approach. The Organizations elected the package of practical expedients permitted under the transition guidance within this standard which, among other matters, allowed the Organizations to carry forward the historical lease classifications. Since the Organizations were not party to any leases with terms of longer than 12 months during the year ended March 31, 2022, the adoption of ASU 2016-02 did not impact the Organizations’ net assets.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. ASU 2020-07 also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. The Organizations adopted the provisions of ASU 2020-07 as of April 1, 2022. The adoption of this pronouncement did not impact the Organizations' net assets.

Financial Statement Presentation

The Organizations report information regarding their financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Cash Equivalents

For purposes of the combining statements of cash flows, the Organizations consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents do not include money market funds and sweep accounts held at brokerage accounts pending investment, but do include other money market funds and sweep accounts.

Property and Equipment

Property and equipment are recorded at cost when purchased, or at fair value at the date of donation, and are being depreciated on a straight-line or double-declining basis over their estimated useful lives, which range from five to 39 years. The Organizations' policy is to capitalize acquisitions of \$1,000 or more. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. The cost of repairs and maintenance is charged to expense when incurred.

Capitalized website development costs are carried at cost or, if donated, at fair value at the time of the donation. Amortization is calculated over five years.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Recognition of Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. This includes grants and gifts that may or may not be shared with the National ACLU (see Note I), as well as the Union's share of membership revenue from the National ACLU (see Note D).

The Organizations report contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is when a purpose restriction is accomplished or a stipulated time restriction ends), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the combining statements of activities as net assets released from restrictions.

The Organizations report gifts of equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Revenue is measured based upon the consideration specified in a contract with a customer at the time when the related performance obligation is satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service, or a series of distinct goods or services, to the customer. The Organizations recognize revenue when a performance obligation is satisfied by transferring control over a product or service to a customer. For literature sales and other revenue, the Organizations have determined control to be transferred at a point in time when the goods are provided to the customer.

Attorney Fees

Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976 and similar laws, attorney 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.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Attorney Fees (continued)

Management anticipates that the Fund 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 Organizations' policy is to record an award only when, in management's judgment, the amount appears relatively certain of collection.

Donated Services

The Organizations receive donated services from various organizations and individuals in order to accomplish their program objectives. Contributions of donated services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values and are reflected in the combining financial statements as support.

Pledges Receivable

An allowance for uncollectible pledges receivable has not been recorded as of March 31, 2023 since management believes all pledges receivable are fully collectible. If certain pledges receivable become uncollectible, the balances will be charged to operations when that determination is made.

Investments

The Organizations' investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

The Organizations' investments are valued as follows:

- Stocks, money market funds, and U.S. government securities are valued at quoted market prices.
- Registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Organizations at the end of the year.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Investments (continued)

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average costs. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation and depreciation include the Organizations' gains and losses on investments bought and sold, as well as held, during the year.

Functional Allocation of Expenses

The Organizations allocate their expenses on a functional basis among their program and supporting services. Costs directly attributable to a program or supporting service are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated to functions based primarily on the proportion of total employee time dedicated to functional categories.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

The Union has been classified by the Internal Revenue Service ("IRS") as an organization exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code ("IRC") as a participant in a group exemption obtained by the National ACLU. The Fund has been classified by the IRS as an organization exempt from federal income tax under section 501(c)(3) of the IRC and has also been classified by the IRS as an organization that is not a private foundation. The Organizations' management is not aware of any uncertain tax positions or unrecognized tax benefits as of March 31, 2023.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organizations use fair value measurements in the preparation of their combining financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organizations utilize market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Organizations apply assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Organizations have the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Leases

The Organizations recognize right-of-use assets and lease liabilities for virtually all leases. Leases are categorized as either finance leases or operating leases.

At contract inception, the Organizations determine whether a contract is or contains a lease, based on whether the Organizations have the right to control the asset during the contract period, and whether the lease should be classified as a finance lease or an operating lease. The Organizations' leasing arrangements do not contain any non-lease components. The Organizations do not enter into any leases with a defined borrowing rate, so the Organizations use the incremental borrowing rate to measure their right-of-use assets and lease liabilities. The incremental borrowing rate is the rate that the Organizations would have to pay to borrow, on a collateralized basis over a similar term, amounts equal to the lease payments in a comparable economic environment.

The Organizations have elected not to recognize right-of-use assets or lease liabilities for leases that have an initial term of 12 months or less; the Organizations recognize lease expense for these leases on a straight-line basis over the lease term.

Concentration of Credit Risk

Financial instruments which potentially subject the Organizations to concentrations of credit risk consist principally of cash, cash equivalents, pledges receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of March 31, 2023 approximated \$45,000 for the Fund; cash and cash equivalents on deposit did not exceed the federally insured limit as of March 31, 2023 for the Union. Pledges receivable are due from various organizations, located primarily in southeastern Michigan. Investments consist of various registered investment companies and other securities.

Comparative Financial Information

The combining financial statements include prior-year summarized comparative information in total but not by organization. Accordingly, such information should be read in conjunction with the Organizations' combining financial statements as of, and for the year ended, March 31, 2022, from which the summarized information was derived.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

**NOTE A — NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONTINUED)**

Prior Period Adjustment

During the year ended March 31, 2023, unrecorded amounts related to a contribution and a related pledge receivable were identified. As a result, net assets with donor restrictions were understated as of March 31, 2022. The combining financial statements as of March 31, 2022, and for the year then ended, have been adjusted to correct these errors retrospectively.

The impact of this prior period adjustment as of, and for the year ended, March 31, 2022 on the Organizations' combining financial statements are as follows:

	<u>Restated</u>	<u>As Originally Reported</u>
As of March 31, 2022:		
Fund:		
Net assets with donor restrictions, end of year	\$ 10,235,712	\$ 9,910,712
Combined:		
Total net assets, end of year	2,602,701	2,277,701
Pledges receivable – current portion	2,131,391	1,806,391
For the Year Ended March 31, 2022:		
Combined:		
Contributions with donor restrictions	3,574,309	3,249,309

Reclassifications

Certain reclassifications have been made to the accompanying combining financial statements as of, and for the year ended, March 31, 2022 to conform to classifications used as of, and for the year ended, March 31, 2023.

Subsequent Events

The Organizations have evaluated subsequent events through February 26, 2024, the date that the accompanying combining financial statements were available to be issued.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of March 31, 2023 and 2022 for the following purposes or periods:

	<u>2023</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2023</u>	<u>2022 (Restated)</u>
Restricted for specific purposes:				
Voting Rights	\$ 50,000	\$ 650,638	\$ 700,638	\$ 445,000
Reproductive Rights	89,167	125,000	214,167	425,000
Prosecutor Transparency	-	188,173	188,173	201,320
Fellow funding	-	77,689	77,689	113,283
Immigrant Rights	-	72,286	72,286	-
Engagement Strategist	-	51,000	51,000	85,000
Smart Justice	6,387	27,239	33,626	250,830
Professional development	-	-	-	50,000
Legal settlement	-	-	-	8,901
	<u>145,554</u>	<u>1,192,025</u>	<u>1,337,579</u>	<u>1,579,334</u>
Restricted for use in future periods:				
Pledges receivable	-	228,722	228,722	29,617
Future operations	16,667	273,667	290,334	993,750
	<u>16,667</u>	<u>502,389</u>	<u>519,056</u>	<u>1,023,367</u>
	<u>\$ 162,221</u>	<u>\$ 1,694,414</u>	<u>\$ 1,856,635</u>	<u>\$ 2,602,701</u>

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions during the year ended March 31, 2023 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Purpose restrictions accomplished for the following purposes:			
Reproductive Rights	\$ 10,833	\$ 560,000	\$ 570,833
Smart Justice	60,203	92,847	153,050
Voting Rights	-	144,362	144,362
Fellow funding	-	104,715	104,715
Professional development	-	50,000	50,000
Engagement Strategist	-	34,000	34,000
Immigrant Rights	-	27,714	27,714
Prosecutor Transparency	-	13,147	13,147
Legal settlement	-	8,901	8,901
	<u>71,036</u>	<u>1,035,686</u>	<u>1,106,722</u>
Time restrictions expired by passage of specified time	<u>247,487</u>	<u>1,041,943</u>	<u>1,289,430</u>
	<u>\$ 318,523</u>	<u>\$ 2,077,629</u>	<u>\$ 2,396,152</u>

NOTE C — PLEDGES RECEIVABLE

Unconditional promises to receive are recognized as receivable and as revenue in the period in which the Organizations are notified by the donor of the commitment to make a contribution. Conditional promises to receive are recognized when the conditions on which they depend are substantially met.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE C — PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable as of March 31, 2023 consist of the following:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Amounts due in:			
Less than one year	\$ 4,884	\$ 804,572	\$ 809,456
One to five years	-	260,000	260,000
	<u>4,884</u>	<u>1,064,572</u>	<u>1,069,456</u>
Less:			
Unamortized discount			
(at eight percent)	<u>-</u>	<u>(9,715)</u>	<u>(9,715)</u>
	<u><u>\$ 4,884</u></u>	<u><u>\$ 1,054,857</u></u>	<u><u>\$ 1,059,741</u></u>

NOTE D — DUE FROM AND TO NATIONAL ORGANIZATION

The Union shares in membership revenue earned by the National ACLU and receives advances on a bi-monthly basis.

The Organizations also share in contributions received by the National ACLU and conversely share a portion of their support with the National ACLU.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE E — INVESTMENTS AND FAIR VALUE

The Organizations' fair value hierarchy for those assets measured at fair value on a recurring basis as of March 31, 2023 is summarized as follows:

	Fair Value Measurements					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Union	Fund
Assets:						
Investments at fair value:						
Registered investment companies:						
Equity funds	\$ 2,344,981	\$ -	\$ -	\$ 2,344,981	\$ -	\$ 2,344,981
Bond funds	221,821	-	-	221,821	-	221,821
	2,566,802	-	-	2,566,802	-	2,566,802
Money market funds	102,262	-	-	102,262	-	102,262
Interest-bearing cash	183,690	-	-	183,690	-	183,690
U.S. government securities	762,239	-	-	762,239	-	762,239
Total Investments	3,614,993	-	-	3,614,993	-	3,614,993
Cash and cash equivalents	8,317,431	-	-	8,317,431	3,096,888	5,220,543
Pledges receivable	-	-	1,059,741	1,059,741	4,884	1,054,857
	\$ 11,932,424	\$ -	\$ 1,059,741	\$ 12,992,165	\$ 3,101,772	\$ 9,890,393

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

Investments as of March 31, 2023, all of which are held by the Fund, are reported in the combining statements of financial position as follows:

Operating investments	\$ 759,127
Funds designated for long-term investment	<u>2,855,866</u>
	<u>\$ 3,614,993</u>

The cost, fair value, and unrealized appreciation or depreciation of the Organizations' investments as of March 31, 2023 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Registered investment companies:			
Equity funds	\$ 2,344,981	\$ 1,526,200	\$ 818,781
Bond funds	<u>221,821</u>	<u>241,179</u>	<u>(19,358)</u>
	2,566,802	1,767,379	799,423
Money market funds	102,262	102,262	-
Interest-bearing cash	183,690	183,690	-
U.S. government securities	<u>762,239</u>	<u>753,951</u>	<u>8,288</u>
	<u>\$ 3,614,993</u>	<u>\$ 2,807,282</u>	<u>\$ 807,711</u>

The following schedule details the investment return in the combining statements of activities for the year ended March 31, 2023:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Interest and dividend income	\$ 72,694	\$ 179,772	\$ 252,466
Unrealized loss	-	(188,710)	(188,710)
Realized loss	<u>-</u>	<u>(72,385)</u>	<u>(72,385)</u>
	<u>\$ 72,694</u>	<u>\$ (81,323)</u>	<u>\$ (8,629)</u>

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

The fair value reconciliation of the Organizations' Level 3 assets that are measured at fair value on a recurring basis for the year ended March 31, 2023 is as follows:

	Pledges Receivable		
	Union	Fund	Total
Changes in Level 3 Assets:			
Increase in pledges receivable	\$ 4,884	\$ 1,345,123	\$ 1,350,007
Payments received	(33,663)	(2,077,586)	(2,111,249)
Write-off of uncollectible pledges	-	(2,142)	(2,142)
Change in Level 3 Assets	(28,779)	(734,605)	(763,384)
Balance, Beginning of Year	33,663	1,789,462	1,823,125
Balance, End of Year	\$ 4,884	\$ 1,054,857	\$ 1,059,741

NOTE F — PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2023:

	Union	Fund	Total
Buildings and land	\$ -	\$ 954,545	\$ 954,545
Building improvements	-	534,277	534,277
Leasehold improvements	46,283	16,395	62,678
Furniture and fixtures	3,378	122,661	126,039
Technology equipment	15,766	291,572	307,338
	65,427	1,919,450	1,984,877
Less: Accumulated depreciation	(61,629)	(847,229)	(908,858)
	\$ 3,798	\$ 1,072,221	\$ 1,076,019

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE G — LEASES

The Fund leases office facilities located in Grand Rapids, Michigan under an operating lease that expires on July 31, 2024. The Union has not entered into any leases with terms longer than 12 months as of March 31, 2023.

Amounts recognized in the combining statements of financial position as of March 31, 2023, all of which relate to the Fund, are as follows:

Right-of-Use Assets:	
Under operating leases	<u>\$ 34,133</u>
Operating Lease Liabilities:	
Current portion	\$ 24,847
Long-term portion	<u>9,286</u>
	<u>\$ 34,133</u>

Maturities of the Fund's lease liabilities are as follows as of March 31, 2023:

	<u>Operating Leases</u>
For the Years Ending March 31:	
2024	\$ 27,676
2025	<u>9,286</u>
Total Lease Payments	36,962
Less: Imputed interest	<u>(2,829)</u>
Present Value of Lease Liabilities	<u>\$ 34,133</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE G — LEASES (CONTINUED)

The Fund's lease costs are as follows for the year ended March 31, 2023:

Operating lease cost	<u>\$ 16,743</u>
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Cash paid for amounts included in the measurement of the Fund's lease liabilities during the year ended March 31, 2023 is as follows:

For operating leases from operating cash flows	<u>\$ 18,208</u>
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Acquisitions of right-of-use assets in exchange for new lease liabilities for the Fund during the year ended March 31, 2023 are as follows:

Under operating leases	<u>\$ 52,117</u>
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The weighted average remaining lease term and the weighted average discount rate of the Fund's leases as of March 31, 2023 are as follows:

Weighted average remaining lease term for operating leases	1.33 years
Weighted average discount rate for operating leases	5.5 %

The Union leases out space in its Lansing office facilities under a lease that is renewed on a monthly basis. Lease revenue under this arrangement for the year ended March 31, 2023 was \$4,800.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE H — RELATED-PARTY TRANSACTIONS

The Union and the Fund allocate between each other certain overhead expenses, including personnel costs and occupancy, based upon estimates of actual usage. Those shared expenses are as follows for the year ended March 31, 2023:

	<u>Union</u>	<u>Fund</u>
Personnel costs	\$ 111,129	\$ (111,129)
Pension	(21,665)	21,665
Professional and contractual fees	55,354	(55,354)
Occupancy	(17,804)	17,804
Office expenses	12,812	(12,812)
Conferences, conventions, and meetings	(1,080)	1,080
Depreciation	10,788	(10,788)
	<u><u>\$ 149,534</u></u>	<u><u>\$ (149,534)</u></u>

NOTE I — REVENUE SHARING

Under a revenue sharing agreement, the Organizations share contributions with the National ACLU for amounts over a calculated base threshold. This revenue sharing agreement helps to stabilize revenue that may fluctuate from year to year by allowing all affiliates to share amounts raised nationally.

For the year ended March 31, 2023, net revenue sharing in the combining statements of activities consists of gross revenue shared by the National ACLU, netted against revenue shared by the Organizations to the National ACLU, as follows:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Gross revenue shared by National ACLU	\$ 320,876	\$ 504,634	\$ 825,510
Less:			
Revenue shared by Organizations	<u>(145,479)</u>	<u>(876,457)</u>	<u>(1,021,936)</u>
	<u><u>\$ 175,397</u></u>	<u><u>\$ (371,823)</u></u>	<u><u>\$ (196,426)</u></u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE J — IN-KIND CONTRIBUTIONS

In-kind contributions, including the usage of those contributions, all of which were provided to the Fund, are summarized as follows for the year ended March 31, 2023:

	<u>Amount</u>	<u>Usage</u>
Legal services	\$ 4,891,451	Litigation
Legal volunteer stipends	24,000	Litigation
Event speaking fees	2,300	Litigation
	<u>4,917,751</u>	
Legal services	10,780	Management and general
Professional services	11,322	Management and general
	<u>22,102</u>	
	<u><u>\$ 4,939,853</u></u>	

In-kind contributions were valued using estimated average prices of identical or similar services using pricing data of similar services under a “like-kind” methodology, considering the utility of the services at the time of the contribution. No in-kind contributions were received with donor restrictions. The Organizations do not sell donated gifts and only use donated services for their own program or supporting service activities.

The value of donated legal services utilized for litigation in the above schedule is based on 7,393 hours of contributed services by attorneys for the year ended March 31, 2023. The cases all involve civil liberties issues. Attorney fees were valued at \$185 to \$1,267 per hour. The average hourly rate was approximately \$443.

NOTE K — NATIONAL PENSION PLAN

The Organizations, through the National ACLU, participate in a defined benefit pension plan covering all eligible employees.

Recognized pension expense for the year ended March 31, 2023 was \$90,024 for the Union and \$197,270 for the Fund.

AMERICAN CIVIL LIBERTIES UNION OF MICHIGAN AND
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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE K — NATIONAL PENSION PLAN (CONTINUED)

The pension cost for the year ended March 31, 2023, and the pension obligations as of March 31, 2023, were determined assuming the following:

	<u>Pension Cost</u>	<u>Pension Obligations</u>
Discount rate	3.69 %	5.06 %
Rate of compensation increase	4.00	4.00
Long-term rate of return	5.75	N/A

The net periodic benefit cost, changes in benefit obligations, plan assets, and funded status were all calculated for the plan in aggregate (all affiliates and national employees) but not by affiliate. Affiliate net periodic pension cost and additional minimum liability are an allocation of the aggregate totals based on the affiliate's proportional share of contributions.

As of March 31, 2023, the net periodic pension cost and additional minimum liability were as follows:

	<u>Union and Fund</u>	<u>National Total</u>
Net periodic pension cost	\$ 86,775	\$ 2,799,416
Additional minimum liability	581,280	18,752,466

Expected future minimum pension benefit payments from the plan for the Organizations' employees have not been calculated. The expected future minimum pension benefit payments to all affiliates and national employees are as follows:

For the Years Ending March 31:	
2024	\$ 6,276,657
2025	6,842,243
2026	7,401,001
2027	7,803,869
2028	8,160,737
2029-2033	46,758,279

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE K — NATIONAL PENSION PLAN (CONTINUED)

For the year ended March 31, 2023, the aggregate total benefits paid by the plan are as follows:

Benefits paid and actual expenses paid	\$ 5,973,776
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As of March 31, 2023, the aggregate benefit obligations and the fair value of the aggregated plan assets are as follows:

Projected benefit obligation	\$ 167,771,632
Accumulated benefit obligation	157,873,353
Fair value of plan assets	163,225,695

As of March 31, 2023, the aggregate funded status of the plan is as follows:

Funded Status, End of Year	\$ (4,545,937)
Changes in Funded Status:	
Unrecognized loss	<u>18,752,466</u>
Net Amount Recognized Before Net Periodic Pension Cost	14,206,529
Net Periodic Pension Cost:	
Minimum liability	<u>(2,799,416)</u>
Unfunded Accumulated Benefit Obligation	<u>\$ 11,407,113</u>

The change in the aggregate prepaid pension cost consists of the following:

Prepaid pension cost, beginning of year	\$ 2,005,945
Net periodic pension cost for the year	(2,799,416)
Contributions made during the year	<u>15,000,000</u>
Prepaid Pension Cost, End of Year	<u>\$ 14,206,529</u>

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE L — OTHER RETIREMENT PLANS

The Organizations participate in a voluntary 401(k) tax-deferred savings plan sponsored by the National ACLU. This plan is frozen to new participants. Eligible employees may contribute between one percent and 80 percent of their annual earnings, up to limits allowed by tax regulations. There is no employer match.

The Organizations also participate in a defined contribution 401(k) plan sponsored by the National ACLU. This plan covers employees who are at least age 21 and who are not covered by the tax-deferred savings plan or the pension plan. Employees may contribute between one percent and 100 percent of their annual earnings, up to limits allowed by tax regulations. The employer makes contributions that will match 100 percent of the first one percent of compensation contributed by each employee, plus 50 percent of the next five percent of compensation contributed by each employee. In addition, the employer makes an additional contribution in the amount of two percent of employee pay each pay period. Employer contributions to this plan for the year ended March 31, 2023 were \$19,835 for the Union and \$78,440 for the Fund.

NOTE M — CHARITABLE ENDOWMENT FUNDS

The Organizations have established the following endowment funds:

Bill of Rights Trust

American Civil Liberties Union Foundation, Inc. (the “National ACLU Foundation”) established the Bill of Rights Trust (the “Trust”), which is an endowment designed to conduct the work of the National ACLU Foundation and the affiliates of the National ACLU (the “affiliates”), including the Union and the Fund. The Trust is an asset of the National ACLU Foundation, which designates unit shares to the affiliates. The National ACLU Foundation may make periodic discretionary distributions to the affiliates based on their units of the Trust held. There were no distributions to the Organizations from the Trust for the year ended March 31, 2023.

Fayette and Donald Loria Equality Endowment Fund

The Organizations established the Fayette and Donald Loria Equality Endowment Fund (the “Endowment Fund”) as a component fund of the Community Foundation for Southeast Michigan (“CFSEM”). The Endowment Fund is an asset of CFSEM intended solely for the use of the Organizations to support their work with racial justice and LGBT issues. CFSEM transfers earnings on the Endowment Fund to the Organizations periodically in the form of grants so long as the Organizations continue to meet their tax-exempt purpose. Grants paid to the Organizations from CFSEM for the year ended March 31, 2023 totaled \$533.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE M — CHARITABLE ENDOWMENT FUNDS (CONTINUED)

Fayette and Donald Loria Equality Endowment Fund (continued)

The Organizations' policy is to spend assets from the Endowment Fund as they are distributed by CFSEM. CFSEM invests the assets of the Endowment Fund as part of a pooled endowment with similar funds held on behalf of other non-profit organizations. The assets of CFSEM's pooled endowment are invested in a manner intended to maximize investment returns over a diversified portfolio in order to achieve a moderate level of investment risk.

Since the Trust accounts of the Union and the Fund, as well as the Endowment Fund, have been funded entirely by contributions from outside donors, these accounts are not recorded on the combining statements of financial position of the Organizations. The fair value of these accounts as of March 31, 2023 is as follows:

Trust:	
Union	\$ 228,838
Fund	6,412
Endowment Fund	11,611

NOTE N — LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organizations have the following financial assets available for general expenditures within one year as of March 31, 2023:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Financial Assets:			
Cash and cash equivalents	\$ 3,096,888	\$ 5,220,543	\$ 8,317,431
Pledges receivable – current portion	4,884	804,572	809,456
Due from National organization	623,298	-	623,298
Total Financial Assets	3,725,070	6,025,115	9,750,185
Less:			
Assets with donor restrictions for specific purposes	(145,554)	(1,192,025)	(1,337,579)
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 3,579,516</u>	<u>\$ 4,833,090</u>	<u>\$ 8,412,606</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2023

NOTE N — LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The Organizations have certain donor-restricted assets that are to be used for specified purposes. In addition, the Organizations also have funds designated by the Board of Directors for long-term investment. Therefore, these assets are not considered to be available for general expenditures within the next year. The Organizations have a policy to manage their liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE O — CONTINGENCIES

In the normal course of operations, there could be certain outstanding contingent liabilities, such as lawsuits, which the Organizations' management considers to be incidental to the business. The Organizations' management believes that either insurance coverage is adequate to cover any potential losses from these matters or the potential losses from these matters are not material. The potential effects of these matters have not been reflected in the accompanying combining financial statements.