

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

COMBINING FINANCIAL STATEMENTS

March 31, 2022
(With Comparative Totals for March 31, 2021)



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

October 6, 2022

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, 2022, 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, 2022, 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.

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, 2021, and we expressed an unmodified opinion on those audited combining financial statements in our report dated October 8, 2021.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Other Matter — Report on Summarized Comparative Information (continued)

In our opinion, the summarized comparative information presented herein as of, and for the year ended, March 31, 2021 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. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
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, 2022
(With Comparative Totals as of March 31, 2021)

	2022		Combined Totals	
	American Civil Liberties Union of Michigan ("Union")	American Civil Liberties Union Fund of Michigan ("Fund")	2022	2021
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 4,316,597	\$ 3,717,812	\$ 8,034,409	\$ 6,630,038
Accounts receivable (no allowance considered necessary)	33,663	1,730,228	1,763,891	766,236
Pledges receivable – current portion (Note C)	-	42,500	42,500	137,000
Operating investments (Note E)	-	605,128	605,128	381,117
Prepaid expenses	9,102	55,059	64,161	90,148
Due from National organization (Note D)	111,940	337,724	449,664	1,857,082
Total Current Assets	<u>4,471,302</u>	<u>6,488,451</u>	<u>10,959,753</u>	<u>9,861,621</u>
Other Assets:				
Pledges receivable (net of current portion) (Note C)	-	16,734	16,734	49,558
Funds designated for long-term investment (Note E)	-	3,116,604	3,116,604	3,243,608
Property and equipment (net of accumulated depreciation) (Note F)	14,489	1,144,016	1,158,505	1,240,033
Total Other Assets	<u>14,489</u>	<u>4,277,354</u>	<u>4,291,843</u>	<u>4,533,199</u>
Total Assets	<u>\$ 4,485,791</u>	<u>\$ 10,765,805</u>	<u>\$ 15,251,596</u>	<u>\$ 14,394,820</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 FINANCIAL POSITION (CONTINUED)

March 31, 2022
(With Comparative Totals as of March 31, 2021)

	2022		Combined Totals	
	Union	Fund	2022	2021
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 74,946	\$ 63,844	\$ 138,790	\$ 229,805
Accrued payroll	49,077	216,618	265,695	269,724
Deferred revenue	-	6,000	6,000	-
Accrued pension	79,528	176,064	255,592	256,021
Fiduciary funds held for others	-	48,120	48,120	-
Total Current Liabilities	203,551	510,646	714,197	755,550
Long-Term Liabilities:				
Unfunded pension obligation (Note J)	155,587	344,447	500,034	745,643
Total Liabilities	359,138	855,093	1,214,231	1,501,193
Net Assets:				
Net assets without donor restrictions:				
Board-designated for long-term investment (Note E)	-	3,116,604	3,116,604	3,243,608
Undesignated	3,995,909	4,647,151	8,643,060	8,364,958
Total Net Assets without Donor Restrictions	3,995,909	7,763,755	11,759,664	11,608,566
Net assets with donor restrictions (Note B)	130,744	2,146,957	2,277,701	1,285,061
Total Net Assets	4,126,653	9,910,712	14,037,365	12,893,627
Total Liabilities and Net Assets	\$ 4,485,791	\$ 10,765,805	\$ 15,251,596	\$ 14,394,820

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, 2022
 (With Comparative Totals for the Year Ended March 31, 2021)**

	2022		Combined Totals	
	Union	Fund	2022	2021
Changes in Net Assets without Donor Restrictions:				
Revenue:				
Membership share	\$ 1,415,225	\$ -	\$ 1,415,225	\$ 1,487,760
Contributions and other support	118,026	1,071,000	1,189,026	6,013,560
Intra-organization support (Note G)	236,606	(236,606)	-	-
Revenue sharing, net (Note H)	2,127	806,575	808,702	1,695,735
Attorney fees	-	96,946	96,946	636,046
Literature sales and other revenue	3,551	8,966	12,517	10,044
Investment return, net (Note E)	697	97,509	98,206	962,100
In-kind donations (Note I)	-	2,860,701	2,860,701	14,080,680
Total Revenue without Donor Restrictions	1,776,232	4,705,091	6,481,323	24,885,925
Net assets released from restrictions (Note B)	644,024	1,612,645	2,256,669	1,900,382
Total Revenue and Other Support without Donor Restrictions	2,420,256	6,317,736	8,737,992	26,786,307
Expenses:				
Program services:				
Legislative	1,339,651	-	1,339,651	892,074
Advocacy and outreach	505,372	-	505,372	390,766
Member service	219,638	-	219,638	257,087
Litigation	-	4,373,799	4,373,799	15,448,130
Communications and outreach	-	1,024,670	1,024,670	5,982,758
Total Program Services	2,064,661	5,398,469	7,463,130	22,970,815
Supporting services:				
Management and general	203,750	618,243	821,993	756,629
Fund raising	-	547,380	547,380	626,119
Total Supporting Services	203,750	1,165,623	1,369,373	1,382,748
Total Expenses	2,268,411	6,564,092	8,832,503	24,353,563
Change in Net Assets without Donor Restrictions from Operations	\$ 151,845	\$ (246,356)	\$ (94,511)	\$ 2,432,744

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, 2022
(With Comparative Totals for the Year Ended March 31, 2021)

	2022		Combined Totals	
	Union	Fund	2022	2021
Changes in Net Assets without Donor Restrictions (continued):				
Other changes:				
Nonperiodic pension provision (Note J)	\$ 51,394	\$ 194,215	\$ 245,609	\$ 749,753
Change in Net Assets without Donor Restrictions	203,239	(52,141)	151,098	3,182,497
Changes in Net Assets with Donor Restrictions:				
Contributions	644,961	2,604,348	3,249,309	965,787
Net assets released from restrictions (Note B)	(644,024)	(1,612,645)	(2,256,669)	(1,900,382)
Change in Net Assets with Donor Restrictions	937	991,703	992,640	(934,595)
Change in Net Assets	204,176	939,562	1,143,738	2,247,902
Net Assets, Beginning of Year	3,922,477	8,971,150	12,893,627	10,645,725
Net Assets, End of Year	\$ 4,126,653	\$ 9,910,712	\$ 14,037,365	\$ 12,893,627

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, 2022
 (With Comparative Totals for the Year Ended March 31, 2021)**

	2022									Total Expenses	
	Program Services					Supporting Services				2022	2021
	Legislative	Advocacy and Outreach	Member Service	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 315,697	\$ 168,965	\$ 164,791	\$ 1,060,163	\$ 656,786	\$ 2,366,402	\$ 491,047	\$ 394,490	\$ 885,537	\$ 3,251,939	\$ 3,556,736
Pension (Note J)	79,528	-	-	116,024	-	195,552	23,745	36,295	60,040	255,592	256,022
Professional and contractual fees	185,817	265,018	8,933	65,491	142,367	667,626	203,464	38,400	241,864	909,490	1,708,479
Occupancy	15,649	9,339	10,652	60,729	37,255	133,624	25,039	23,070	48,109	181,733	143,149
Office expenses	15,352	15,601	16,888	59,577	55,278	162,696	45,549	25,308	70,857	233,553	323,804
Program activities and materials	713,745	567	567	105,151	79,940	899,970	3,134	2,566	5,700	905,670	2,081,483
Printing and publications	-	37,609	8,372	-	20,041	66,022	-	6,814	6,814	72,836	2,101,640
Conferences, conventions, and meetings	5,319	3,174	3,619	20,640	12,662	45,414	8,510	7,841	16,351	61,765	11,909
In-kind services (Note I)	-	-	-	2,852,867	-	2,852,867	7,834	-	7,834	2,860,701	14,080,680
Total Expenses Before Depreciation	1,331,107	500,273	213,822	4,340,642	1,004,329	7,390,173	808,322	534,784	1,343,106	8,733,279	24,263,902
Depreciation (Note A)	8,544	5,099	5,816	33,157	20,341	72,957	13,671	12,596	26,267	99,224	89,661
Total Expenses	\$ 1,339,651	\$ 505,372	\$ 219,638	\$ 4,373,799	\$ 1,024,670	\$ 7,463,130	\$ 821,993	\$ 547,380	\$ 1,369,373	\$ 8,832,503	\$ 24,353,563

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, 2022
(With Comparative Totals for the Year Ended March 31, 2021)

	2022					Total Expenses	
	Program Services			Total Program Services	Supporting Services	2022	2021
	Legislative	Advocacy and Outreach	Member Service		Management and General		
Personnel costs	\$ 315,697	\$ 168,965	\$ 164,791	\$ 649,453	\$ 147,049	\$ 796,502	\$ 968,388
Pension (Note J)	79,528	-	-	79,528	-	79,528	69,707
Professional and contractual fees	185,817	265,018	8,933	459,768	29,927	489,695	426,689
Occupancy	15,649	9,339	10,652	35,640	8,077	43,717	41,188
Office expenses	15,352	15,601	16,888	47,841	10,975	58,816	88,516
Program activities and materials	713,745	567	567	714,879	567	715,446	85,192
Printing and publications	-	37,609	8,372	45,981	-	45,981	46,341
Conferences, conventions, and meetings	5,319	3,174	3,619	12,112	2,745	14,857	3,426
Total Expenses Before Depreciation	1,331,107	500,273	213,822	2,045,202	199,340	2,244,542	1,729,447
Depreciation (Note A)	8,544	5,099	5,816	19,459	4,410	23,869	25,798
Total Expenses	\$ 1,339,651	\$ 505,372	\$ 219,638	\$ 2,064,661	\$ 203,750	\$ 2,268,411	\$ 1,755,245

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, 2022
(With Comparative Totals for the Year Ended March 31, 2021)

	2022						Total Expenses	
	Program Services			Supporting Services			2022	2021
	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 1,060,163	\$ 656,786	\$ 1,716,949	\$ 343,998	\$ 394,490	\$ 738,488	\$ 2,455,437	\$ 2,588,348
Pension (Note J)	116,024	-	116,024	23,745	36,295	60,040	176,064	186,315
Professional and contractual fees	65,491	142,367	207,858	173,537	38,400	211,937	419,795	1,281,790
Occupancy	60,729	37,255	97,984	16,962	23,070	40,032	138,016	101,961
Office expenses	59,577	55,278	114,855	34,574	25,308	59,882	174,737	235,288
Program activities and materials	105,151	79,940	185,091	2,567	2,566	5,133	190,224	1,996,291
Printing and publications	-	20,041	20,041	-	6,814	6,814	26,855	2,055,299
Conferences, conventions, and meetings	20,640	12,662	33,302	5,765	7,841	13,606	46,908	8,483
In-kind services (Note I)	2,852,867	-	2,852,867	7,834	-	7,834	2,860,701	14,080,680
Total Expenses Before Depreciation	4,340,642	1,004,329	5,344,971	608,982	534,784	1,143,766	6,488,737	22,534,455
Depreciation (Note A)	33,157	20,341	53,498	9,261	12,596	21,857	75,355	63,863
Total Expenses	\$ 4,373,799	\$ 1,024,670	\$ 5,398,469	\$ 618,243	\$ 547,380	\$ 1,165,623	\$ 6,564,092	\$ 22,598,318

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, 2022
(With Comparative Totals for the Year Ended March 31, 2021)

	2022		Combined Totals	
	Union	Fund	2022	2021
Cash Flows from Operating Activities:				
Cash received from members	\$ 1,608,323	\$ -	\$ 1,608,323	\$ 1,373,293
Cash received from contributors and revenue sharing	780,833	4,810,193	5,591,026	7,649,683
Cash received from attorney fees	-	96,946	96,946	636,046
Cash received from other sources	3,551	14,966	18,517	10,044
Cash received from investment income	697	62,677	63,374	65,557
Cash paid for personnel costs	(782,425)	(2,729,564)	(3,511,989)	(3,757,341)
Cash paid to suppliers and vendors	(1,252,654)	(1,129,301)	(2,381,955)	(6,289,821)
Net Cash Flows from Operating Activities	358,325	1,125,917	1,484,242	(312,539)
Cash Flows from Investing Activities:				
Acquisition of property and equipment	-	(17,696)	(17,696)	(58,194)
Proceeds received from disposition of investments	-	25,190	25,190	574,571
Acquisition of investments	-	(87,365)	(87,365)	(709,756)
Net Cash Flows from Investing Activities	-	(79,871)	(79,871)	(193,379)
Change in Cash and Cash Equivalents	358,325	1,046,046	1,404,371	(505,918)
Cash and Cash Equivalents, Beginning of Year	3,958,272	2,671,766	6,630,038	7,135,956
Cash and Cash Equivalents, End of Year	\$ 4,316,597	\$ 3,717,812	\$ 8,034,409	\$ 6,630,038

See notes to combining financial statements.

NOTES TO COMBINING FINANCIAL STATEMENTS

March 31, 2022

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

Nature of Organizations

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 fund raising activity, but they are indispensable to the conduct of those activities and are essential to the Organizations.

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

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

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

Nature of Organizations (continued)

Fund Raising

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.

Basis of 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, 2022

**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 H), 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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

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 and Accounts Receivable

Allowances for uncollectible pledges and accounts receivable have not been recorded as of March 31, 2022 since management believes all pledges and accounts receivable are fully collectible. If certain pledges or accounts 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 and money market funds 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.

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

March 31, 2022

**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, 2022.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

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.

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

March 31, 2022

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

Concentration of Credit Risk

Financial instruments which potentially subject the Organizations to concentrations of credit risk consist principally of cash, cash equivalents, pledges and accounts 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, 2022 approximated \$29,000 for the Union and \$56,000 for the Fund. Pledges and accounts 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, 2021, from which the summarized information was derived.

Subsequent Events

The Organizations have evaluated subsequent events through October 6, 2022, the date that the accompanying combining financial statements were available to be issued.

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of March 31, 2022 and 2021 for the following purposes or periods:

	<u>2022</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
Restricted for specific purposes:				
Professional development	\$ -	\$ 50,000	\$ 50,000	\$ -
Smart Justice	130,744	120,086	250,830	227,984
Engagement Strategist	-	85,000	85,000	102,000
Fellow funding	-	113,283	113,283	25,978

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

March 31, 2022

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	<u>2022</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2022</u>	<u>2021</u>
Restricted for specific purposes (continued):				
Hill settlement	\$ -	\$ 8,901	\$ 8,901	\$ 150,000
Collaboration for Gender and Reproductive Rights	-	425,000	425,000	300,000
Call and Text Program	-	-	-	17,925
Prosecutor Transparency	-	201,320	201,320	-
Voting Rights	-	120,000	120,000	-
	<u>130,744</u>	<u>1,123,590</u>	<u>1,254,334</u>	<u>823,887</u>
Restricted for use in future periods:				
Pledges receivable	-	29,617	29,617	90,759
Future operations	-	993,750	993,750	370,415
	<u>-</u>	<u>1,023,367</u>	<u>1,023,367</u>	<u>461,174</u>
	<u>\$ 130,744</u>	<u>\$ 2,146,957</u>	<u>\$ 2,277,701</u>	<u>\$ 1,285,061</u>

Net assets were released from donor restrictions during the year ended March 31, 2022 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:			
Professional development	\$ -	\$ 25,000	\$ 25,000
Reproductive Rights	-	100,000	100,000
Smart Justice	393,489	10,665	404,154
Engagement Strategist	-	17,000	17,000
Fellow funding	-	89,241	89,241
Hill settlement	-	141,099	141,099
Collaboration for Gender and Reproductive Rights	-	275,000	275,000

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

March 31, 2022

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Purpose restrictions accomplished for the following purposes (continued):			
Call and Text Program	\$ 17,925	\$ -	\$ 17,925
Prosecutor Transparency	-	115,000	115,000
	<u>411,414</u>	<u>773,005</u>	<u>1,184,419</u>
Time restrictions expired by passage of specified time	<u>232,610</u>	<u>839,640</u>	<u>1,072,250</u>
	<u>\$ 644,024</u>	<u>\$ 1,612,645</u>	<u>\$ 2,256,669</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. Pledges receivable as of March 31, 2022, all of which are due to the Fund, consist of the following:

Amounts due in:	
Less than one year	\$ 42,500
One to five years	<u>18,088</u>
	60,588
Less:	
Unamortized discount (at 3.5 percent)	<u>(1,354)</u>
	<u>\$ 59,234</u>

NOTE D — DUE FROM 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, 2022

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, 2022 is summarized as follows:

	Fair Value Measurements			Total	Union	Fund
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Assets:						
Investments at fair value:						
Registered investment companies:						
Equity funds	\$ 2,367,142	\$ -	\$ -	\$ 2,367,142	\$ -	\$ 2,367,142
Bond funds	988,023	-	-	988,023	-	988,023
	3,355,165	-	-	3,355,165	-	3,355,165
Money market funds	241,463	-	-	241,463	-	241,463
Preferred stocks	19,750	-	-	19,750	-	19,750
Interest-bearing cash	105,354	-	-	105,354	-	105,354
Total Investments	3,721,732	-	-	3,721,732	-	3,721,732
Cash and cash equivalents	8,034,409	-	-	8,034,409	4,316,597	3,717,812
Pledges receivable	-	-	59,234	59,234	-	59,234
	\$ 11,756,141	\$ -	\$ 59,234	\$ 11,815,375	\$ 4,316,597	\$ 7,498,778

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

March 31, 2022

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

Investments as of March 31, 2022, all of which are held by the Fund, are reported in the combining statements of financial position as follows:

Operating investments	\$ 605,128
Funds designated for long-term investment	<u>3,116,604</u>
	<u>\$ 3,721,732</u>

The cost, fair value, and unrealized appreciation or depreciation of the Organizations' investments as of March 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Registered investment companies:			
Equity funds	\$ 2,367,142	\$ 1,312,933	\$ 1,054,209
Bond funds	988,023	1,046,132	(58,109)
	<u>3,355,165</u>	<u>2,359,065</u>	<u>996,100</u>
Money market funds	241,463	241,463	-
Preferred stocks	19,750	19,708	42
Interest-bearing cash	105,354	105,354	-
	<u>\$ 3,721,732</u>	<u>\$ 2,725,590</u>	<u>\$ 996,142</u>

The following schedule details the investment return in the combining statements of activities for the year ended March 31, 2022:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Interest and dividend income	\$ 697	\$ 62,677	\$ 63,374
Unrealized gain	-	35,067	35,067
Realized loss	-	(235)	(235)
	<u>\$ 697</u>	<u>\$ 97,509</u>	<u>\$ 98,206</u>

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

March 31, 2022

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

The fair value reconciliation of the Fund's Level 3 assets that are measured at fair value on a recurring basis for the year ended March 31, 2022 is as follows:

	<u>Pledges Receivable</u>
Changes in Level 3 Assets:	
Increase in pledges receivable	\$ 30,000
Payments received	<u>(157,324)</u>
Change in Level 3 Assets	(127,324)
Balance, Beginning of Year	<u>186,558</u>
Balance, End of Year	<u>\$ 59,234</u>

NOTE F — PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2022:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
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	<u>15,766</u>	<u>277,887</u>	<u>293,653</u>
	65,427	1,905,765	1,971,192
Less: Accumulated depreciation	<u>(50,938)</u>	<u>(761,749)</u>	<u>(812,687)</u>
	<u>\$ 14,489</u>	<u>\$ 1,144,016</u>	<u>\$ 1,158,505</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE G — 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, 2022:

	<u>Union</u>	<u>Fund</u>
Personnel costs	\$ 95,670	\$ (95,670)
Professional and contractual fees	139,466	(139,466)
Occupancy	(15,036)	15,036
Office expenses	6,159	(6,159)
Conferences, conventions, and meetings	(1,112)	1,112
Depreciation	11,459	(11,459)
	<u>\$ 236,606</u>	<u>\$ (236,606)</u>

NOTE H — 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, 2022, 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	\$ 78,829	\$ 1,337,976	\$ 1,416,805
Less:			
Revenue shared by Organizations	<u>(76,702)</u>	<u>(531,401)</u>	<u>(608,103)</u>
	<u>\$ 2,127</u>	<u>\$ 806,575</u>	<u>\$ 808,702</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE I — IN-KIND DONATIONS

Contributed services are reflected in the combining financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The value of 5,363 hours of contributed services by attorneys for the year ended March 31, 2022 is estimated at \$2,852,867 for the Fund. The cases all involve civil liberties issues. This expense is allocated to litigation. Attorney fees were valued at \$175 to \$850 per hour. The average hourly rate was approximately \$532.

NOTE J — 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, 2022 was \$79,528 for the Union and \$176,064 for the Fund.

The pension cost for the year ended March 31, 2022, and the pension obligations as of March 31, 2022, were determined assuming the following:

	<u>Pension Cost</u>	<u>Pension Obligations</u>
Discount rate	3.30 %	3.69 %
Rate of compensation increase	4.00	4.00
Long-term rate of return	6.25	5.75

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.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE J — NATIONAL PENSION PLAN (CONTINUED)

As of March 31, 2022, 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	\$ 80,308	\$ 2,588,929
Additional minimum liability	755,626	24,359,551

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:	
2023	\$ 5,798,085
2024	6,170,179
2025	6,664,666
2026	7,192,020
2027	7,552,804
2028-2032	43,391,438

For the year ended March 31, 2022, the aggregate total benefits paid by the plan are as follows:

Benefits paid and actual expenses paid	\$ 5,518,352
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As of March 31, 2022, the aggregate benefit obligations and the fair value of the aggregated plan assets are as follows:

Projected benefit obligation	\$ 198,372,769
Accumulated benefit obligation	183,881,796
Fair value of plan assets	176,019,163

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE J — NATIONAL PENSION PLAN (CONTINUED)

As of March 31, 2022, the aggregate funded status of the plan is as follows:

Funded Status, End of Year	\$ (22,353,606)
Changes in Funded Status:	
Unrecognized loss	<u>24,359,551</u>
Net Amount Recognized Before Net Periodic Pension Cost	2,005,945
Net Periodic Pension Cost:	
Minimum liability	<u>(2,588,929)</u>
Unfunded Accumulated Benefit Obligation	<u><u>\$ (582,984)</u></u>

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

Prepaid pension cost, beginning of year	\$ 4,594,874
Net periodic pension cost for the year	<u>(2,588,929)</u>
Prepaid Pension Cost, End of Year	<u><u>\$ 2,005,945</u></u>

NOTE K — 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.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE K — OTHER RETIREMENT PLANS (CONTINUED)

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, 2022 were \$15,380 for the Union and \$67,672 for the Fund.

NOTE L — LEASES

The Union leases office facilities located in Lansing, Michigan under a lease that expires on December 1, 2022. Lease expense for the year ended March 31, 2022 was \$37,500 for the office facilities.

The Fund leases office facilities located in Grand Rapids, Michigan under leases that expire on various dates through February 2024, as well as office equipment under leases expiring on various dates through November 30, 2024. Lease expense for the year ended March 31, 2022 was \$24,048 for the office facilities and \$5,761 for the office equipment.

Future minimum lease payments are as follows as of March 31, 2022:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
For the Years Ending March 31:			
2023	\$ 31,250	\$ 11,832	\$ 43,082
2024	-	2,771	2,771
2025	-	960	960
	<u> </u>	<u> </u>	<u> </u>
Total Minimum Lease Payments	<u>\$ 31,250</u>	<u>\$ 15,563</u>	<u>\$ 46,813</u>

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, 2022 was \$3,300.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

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, 2022.

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, 2022 totaled \$496.

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, 2022 is as follows:

Trust:	
Union	\$ 242,557
Fund	6,764
Endowment Fund	12,620

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

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, 2022:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Financial Assets:			
Cash and cash equivalents	\$ 4,316,597	\$ 3,717,812	\$ 8,034,409
Accounts receivable	33,663	1,730,228	1,763,891
Pledges receivable – current portion	-	42,500	42,500
Due from National organization	111,940	337,724	449,664
	<u>4,462,200</u>	<u>5,828,264</u>	<u>10,290,464</u>
Total Financial Assets			
Less:			
Assets with donor restrictions for specific purposes	<u>(130,744)</u>	<u>(1,123,590)</u>	<u>(1,254,334)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u><u>\$ 4,331,456</u></u>	<u><u>\$ 4,704,674</u></u>	<u><u>\$ 9,036,130</u></u>

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

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2022

NOTE O — CONTINGENCIES (CONTINUED)

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying combining financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organizations' financial condition, liquidity, and future results of operations. The Organizations' operations are dependent on private and public donations from individuals, foundations, and corporations, as well as the share of membership revenue from the National ACLU. The COVID-19 outbreak may have a continued impact on economic and market conditions.

As of the date of issuance of the combining financial statements, the Organizations' operations have not been significantly impacted, but the Organizations' management continues to monitor the situation.

NOTE P — NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. The lessor accounting model under ASU 2016-02 is largely unchanged from the existing accounting for leases by lessors, but some technical changes have been made to conform to the updated revenue recognition guidance. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to the Organizations' combining financial statements for the year ending March 31, 2023, with earlier implementation permitted. The Organizations' management has not determined the impact on their combining financial statements as a result of implementing ASU 2016-02.

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in September 2020. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. This ASU also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. ASU 2020-07 applies to the Organizations' combining financial statements for the year ending March 31, 2023, with earlier implementations permitted, and is to be applied retrospectively. The Organizations' management has not determined the impact on their combining financial statements as a result of implementing ASU 2020-07.