

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

COMBINING FINANCIAL STATEMENTS

March 31, 2020
(With Comparative Totals for March 31, 2019)



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

September 30, 2020

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

Report on the Combining Financial Statements

We have audited the accompanying 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"), which comprise the combining statement of financial position as of March 31, 2020, 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.

Management's Responsibility for the Combining Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

In making those risk assessments, the auditor considers internal control relevant to the Organizations' preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

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

Opinion

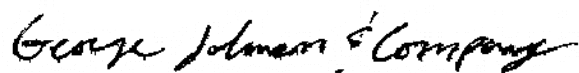
In our opinion, the combining financial statements referred to above present fairly, in all material respects, the separate and combining financial positions of the Union and the Fund as of March 31, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organizations' combining financial statements as of, and for the year ended, March 31, 2019, and our report dated October 2, 2019 expressed an unmodified opinion on those audited combining financial statements. In our opinion, the summarized comparative information presented herein as of, and for the year ended, March 31, 2019 is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

Adoption of New Accounting Pronouncements

As discussed in Note A, effective April 1, 2019, the Organizations have adopted the provisions contained in Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.



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, 2020
(With Comparative Totals as of March 31, 2019)

	<u>2020</u>		<u>Combined Totals</u>	
	<u>American Civil Liberties Union of Michigan ("Union")</u>	<u>American Civil Liberties Union Fund of Michigan ("Fund")</u>	<u>2020</u>	<u>2019</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,647,619	\$ 3,488,337	\$ 7,135,956	\$ 4,137,638
Accounts receivable (no allowance considered necessary)	2,882	996,422	999,304	100,457
Pledges receivable – current portion (Note C)	-	132,250	132,250	587,205
Operating investments – U.S. Treasury notes	-	-	-	1,505,770
Prepaid expenses	13,790	75,003	88,793	83,387
Due from National organization (Note D)	190,571	224,785	415,356	519,256
Total Current Assets	<u>3,854,862</u>	<u>4,916,797</u>	<u>8,771,659</u>	<u>6,933,713</u>
Other Assets:				
Pledges receivable (net of current portion) (Note C)	-	124,000	124,000	159,100
Funds designated for long-term investment (Note E)	-	2,592,997	2,592,997	2,773,513
Property and equipment (net of accumulated depreciation) (Note F)	33,958	1,237,542	1,271,500	1,269,587
Total Other Assets	<u>33,958</u>	<u>3,954,539</u>	<u>3,988,497</u>	<u>4,202,200</u>
Total Assets	<u>\$ 3,888,820</u>	<u>\$ 8,871,336</u>	<u>\$ 12,760,156</u>	<u>\$ 11,135,913</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, 2020
(With Comparative Totals as of March 31, 2019)

	2020		Combined Totals	
	Union	Fund	2020	2019
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 76,465	\$ 71,342	\$ 147,807	\$ 119,826
Accrued payroll	45,084	170,904	215,988	187,315
Deferred revenue	-	900	900	7,250
Accrued pension	68,113	186,228	254,341	251,939
Total Current Liabilities	189,662	429,374	619,036	566,330
Long-Term Liabilities:				
Unfunded pension obligation (Note K)	400,467	1,094,928	1,495,395	1,141,745
Total Liabilities	590,129	1,524,302	2,114,431	1,708,075
Net Assets:				
Net assets without donor restrictions:				
Board-designated for long-term investment (Note E)	-	2,592,997	2,592,997	2,773,513
Undesignated	3,113,618	2,719,454	5,833,072	5,510,234
Total Net Assets without Donor Restrictions	3,113,618	5,312,451	8,426,069	8,283,747
Net assets with donor restrictions (Note B)	185,073	2,034,583	2,219,656	1,144,091
Total Net Assets	3,298,691	7,347,034	10,645,725	9,427,838
Total Liabilities and Net Assets	\$ 3,888,820	\$ 8,871,336	\$ 12,760,156	\$ 11,135,913

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, 2020
(With Comparative Totals for the Year Ended March 31, 2019)

	2020		Combined Totals	
	Union	Fund	2020	2019
Changes in Net Assets without Donor Restrictions:				
Revenue:				
Membership share	\$ 1,250,094	\$ -	\$ 1,250,094	\$ 1,296,372
Contributions and other support	463,189	1,354,179	1,817,368	887,295
Special events, net (Note G)	-	87,576	87,576	83,369
Intra-organization support (Note H)	105,682	(105,682)	-	-
Revenue sharing, net (Note I)	46,069	354,364	400,433	668,008
Attorney fees	-	268,513	268,513	1,176,309
Literature sales and other revenue	1,500	-	1,500	6,000
Investment return, net (Note E)	56,925	(151,200)	(94,275)	153,824
In-kind donations (Note J)	-	9,095,299	9,095,299	6,042,332
	<u>1,923,459</u>	<u>10,903,049</u>	<u>12,826,508</u>	<u>10,313,509</u>
Total Revenue without Donor Restrictions				
Net assets released from restrictions (Note B)	<u>495,413</u>	<u>1,306,022</u>	<u>1,801,435</u>	<u>3,792,042</u>
Total Revenue and Other Support without Donor Restrictions	<u>2,418,872</u>	<u>12,209,071</u>	<u>14,627,943</u>	<u>14,105,551</u>
Expenses:				
Program services:				
Legislative	611,463	-	611,463	689,092
Advocacy and outreach	490,438	-	490,438	259,354
Member service	260,485	-	260,485	229,681
Litigation	-	10,415,002	10,415,002	7,470,792
Communications and outreach	-	1,043,737	1,043,737	1,139,741
	<u>1,362,386</u>	<u>11,458,739</u>	<u>12,821,125</u>	<u>9,788,660</u>
Total Program Services				
Supporting services:				
Management and general	178,028	486,930	664,958	513,840
Fund raising	-	645,888	645,888	1,658,615
	<u>178,028</u>	<u>1,132,818</u>	<u>1,310,846</u>	<u>2,172,455</u>
Total Supporting Services				
Total Expenses	<u>1,540,414</u>	<u>12,591,557</u>	<u>14,131,971</u>	<u>11,961,115</u>
Change in Net Assets without Donor Restrictions from Operations				
	<u>\$ 878,458</u>	<u>\$ (382,486)</u>	<u>\$ 495,972</u>	<u>\$ 2,144,436</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 ACTIVITIES (CONTINUED)

For the Year Ended March 31, 2020
(With Comparative Totals for the Year Ended March 31, 2019)

	2020		Combined Totals	
	Union	Fund	2020	2019
Changes in Net Assets without Donor Restrictions (continued):				
Other changes:				
Nonperiodic pension provision (Note K)	\$ (180,203)	\$ (173,447)	\$ (353,650)	\$ (237,759)
Change in Net Assets without Donor Restrictions	698,255	(555,933)	142,322	1,906,677
Changes in Net Assets with Donor Restrictions:				
Contributions	300,000	2,577,000	2,877,000	1,558,945
Net assets released from restrictions (Note B)	(495,413)	(1,306,022)	(1,801,435)	(3,792,042)
Change in Net Assets with Donor Restrictions	(195,413)	1,270,978	1,075,565	(2,233,097)
Change in Net Assets	502,842	715,045	1,217,887	(326,420)
Net Assets, Beginning of Year	2,795,849	6,631,989	9,427,838	9,754,258
Net Assets, End of Year	\$ 3,298,691	\$ 7,347,034	\$ 10,645,725	\$ 9,427,838

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, 2020
 (With Comparative Totals for the Year Ended March 31, 2019)**

	2020									Total Expenses	
	Program Services					Supporting Services				2020	2019
	Legislative	Advocacy and Outreach	Member Service	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 382,620	\$ 341,397	\$ 183,913	\$ 908,522	\$ 656,906	\$ 2,473,358	\$ 457,276	\$ 472,050	\$ 929,326	\$ 3,402,684	\$ 2,896,959
Pension (Note K)	28,600	25,518	13,747	67,909	49,102	184,876	34,180	35,285	69,465	254,341	278,505
Professional and contractual fees	58,345	14,233	6,795	126,474	88,532	294,379	96,785	26,072	122,857	417,236	905,713
Occupancy	13,651	18,478	8,490	41,285	30,231	112,135	14,350	20,010	34,360	146,495	131,130
Office expenses	20,406	29,955	15,024	61,715	65,405	192,505	27,744	32,799	60,543	253,048	202,865
Program activities and materials	77,230	1,588	1,588	21,219	2,547	104,172	2,445	857	3,302	107,474	127,898
Printing and publications	-	17,833	11,889	-	83,222	112,944	-	5,944	5,944	118,888	87,919
Conferences, conventions, and meetings	22,235	30,098	13,829	67,246	49,242	182,650	23,373	32,593	55,966	238,616	183,218
Bad debt expense	-	-	-	-	-	-	-	8,000	8,000	8,000	1,022,200
In-kind services (Note J)	-	-	-	9,095,299	-	9,095,299	-	-	-	9,095,299	6,042,332
Total Expenses Before Depreciation	603,087	479,100	255,275	10,389,669	1,025,187	12,752,318	656,153	633,610	1,289,763	14,042,081	11,878,739
Depreciation (Note A)	8,376	11,338	5,210	25,333	18,550	68,807	8,805	12,278	21,083	89,890	82,376
Total Expenses	\$ 611,463	\$ 490,438	\$ 260,485	\$ 10,415,002	\$ 1,043,737	\$ 12,821,125	\$ 664,958	\$ 645,888	\$ 1,310,846	\$ 14,131,971	\$ 11,961,115

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, 2020
(With Comparative Totals for the Year Ended March 31, 2019)

	2020					Total Expenses	
	Program Services				Supporting Services	2020	2019
	Legislative	Advocacy and Outreach	Member Service	Total Program Services	Management and General		
Personnel costs	\$ 382,620	\$ 341,397	\$ 183,913	\$ 907,930	\$ 121,917	\$ 1,029,847	\$ 819,788
Pension (Note K)	28,600	25,518	13,747	67,865	9,113	76,978	78,812
Professional and contractual fees	58,345	14,233	6,795	79,373	24,388	103,761	129,070
Occupancy	13,651	18,478	8,490	40,619	4,328	44,947	41,961
Office expenses	20,406	29,955	15,024	65,385	6,988	72,373	59,222
Program activities and materials	77,230	1,588	1,588	80,406	1,588	81,994	85,723
Printing and publications	-	17,833	11,889	29,722	-	29,722	21,980
Conferences, conventions, and meetings	22,235	30,098	13,829	66,162	7,050	73,212	58,630
Total Expenses Before Depreciation	603,087	479,100	255,275	1,337,462	175,372	1,512,834	1,295,186
Depreciation (Note A)	8,376	11,338	5,210	24,924	2,656	27,580	26,361
Total Expenses	\$ 611,463	\$ 490,438	\$ 260,485	\$ 1,362,386	\$ 178,028	\$ 1,540,414	\$ 1,321,547

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, 2020
(With Comparative Totals for the Year Ended March 31, 2019)

	2020						Total Expenses	
	Program Services			Supporting Services			2020	2019
	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 908,522	\$ 656,906	\$ 1,565,428	\$ 335,359	\$ 472,050	\$ 807,409	\$ 2,372,837	\$ 2,077,171
Pension (Note K)	67,909	49,102	117,011	25,067	35,285	60,352	177,363	199,693
Professional and contractual fees	126,474	88,532	215,006	72,397	26,072	98,469	313,475	776,643
Occupancy	41,285	30,231	71,516	10,022	20,010	30,032	101,548	89,169
Office expenses	61,715	65,405	127,120	20,756	32,799	53,555	180,675	143,643
Program activities and materials	21,219	2,547	23,766	857	857	1,714	25,480	42,175
Printing and publications	-	83,222	83,222	-	5,944	5,944	89,166	65,939
Conferences, conventions, and meetings	67,246	49,242	116,488	16,323	32,593	48,916	165,404	124,588
Bad debt expense	-	-	-	-	8,000	8,000	8,000	1,022,200
In-kind services (Note J)	9,095,299	-	9,095,299	-	-	-	9,095,299	6,042,332
Total Expenses Before Depreciation	10,389,669	1,025,187	11,414,856	480,781	633,610	1,114,391	12,529,247	10,583,553
Depreciation (Note A)	25,333	18,550	43,883	6,149	12,278	18,427	62,310	56,015
Total Expenses	\$ 10,415,002	\$ 1,043,737	\$ 11,458,739	\$ 486,930	\$ 645,888	\$ 1,132,818	\$ 12,591,557	\$ 10,639,568

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, 2020
(With Comparative Totals for the Year Ended March 31, 2019)

	<u>2020</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:				
Cash received from members	\$ 1,243,992	\$ -	\$ 1,243,992	\$ 1,281,184
Cash received from contributors and revenue sharing	808,292	3,979,719	4,788,011	3,568,072
Cash received from special events	-	211,876	211,876	236,637
Cash received from attorney fees	-	268,513	268,513	1,176,309
Cash received from other sources	1,500	-	1,500	6,000
Cash received from investment income	52,624	107,495	160,119	130,201
Cash paid for personnel costs	(1,064,991)	(2,560,959)	(3,625,950)	(3,124,912)
Cash paid to suppliers and vendors	(321,933)	(1,067,899)	(1,389,832)	(1,788,849)
	<u>719,484</u>	<u>938,745</u>	<u>1,658,229</u>	<u>1,484,642</u>
Net Cash Flows from Operating Activities				
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(997)	(90,806)	(91,803)	(147,672)
Proceeds received from disposition of investments	614,077	1,343,987	1,958,064	482,523
Acquisition of investments	(7,912)	(518,260)	(526,172)	(1,057,682)
	<u>605,168</u>	<u>734,921</u>	<u>1,340,089</u>	<u>(722,831)</u>
Net Cash Flows from Investing Activities				
Change in Cash and Cash Equivalents	1,324,652	1,673,666	2,998,318	761,811
Cash and Cash Equivalents, Beginning of Year	<u>2,322,967</u>	<u>1,814,671</u>	<u>4,137,638</u>	<u>3,375,827</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,647,619</u>	<u>\$ 3,488,337</u>	<u>\$ 7,135,956</u>	<u>\$ 4,137,638</u>

See notes to combining financial statements.

NOTES TO COMBINING FINANCIAL STATEMENTS

March 31, 2020

**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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

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.

Adoption of New Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction by clarifying how an entity determines whether a resource provider is participating in an exchange transaction and clarifying the definition of “commensurate value”. ASU 2018-08 also modifies the definition of a “donor-imposed condition” so that the determination is based on whether an agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. ASU 2018-08 also permits an organization to elect a policy in which contributions that are restricted by the donor and that were initially conditional contributions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized without also having to elect that policy for other contributions that are restricted by the donor. The Organizations adopted the provisions of ASU 2018-08 as of April 1, 2019. The adoption of this pronouncement did not impact the Organizations’ net assets or combining financial statements.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

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

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.

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, 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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

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

Recognition of Contributions (continued)

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.

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, 2020 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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

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

Investments (continued)

- Corporate bonds which are not publicly traded on an open market are valued through a pricing model that utilizes benchmark yields, reported trades, active market quotes, and current spreads, among other factors.

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, 2020.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

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

March 31, 2020

**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, 2020 approximated \$115,000 for the Union and \$102,000 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, 2019, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the accompanying combining financial statements as of, and for the year ended, March 31, 2019 to conform to classifications used as of, and for the year ended, March 31, 2020.

Subsequent Events

The Organizations have evaluated subsequent events through September 30, 2020, the date that the accompanying combining financial statements were available to be issued.

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

March 31, 2020

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of March 31, 2020 and 2019 for the following purposes or periods:

	<u>2020</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2020</u>	<u>2019</u>
Restricted for specific purposes:				
Smart Justice	\$ 185,073	\$ 28,287	\$ 213,360	\$ 484,773
Engagement Strategist	-	102,000	102,000	-
Fellow funding	-	117,634	117,634	101,699
LGBT – Older Adult Coalition	-	23,796	23,796	39,267
Election Protection Program	-	1,116,203	1,116,203	-
	<u>185,073</u>	<u>1,387,920</u>	<u>1,572,993</u>	<u>625,739</u>
Restricted for use in future periods:				
Pledges receivable	-	126,625	126,625	368,352
Future operations	-	520,038	520,038	150,000
	<u>-</u>	<u>646,663</u>	<u>646,663</u>	<u>518,352</u>
	<u>\$ 185,073</u>	<u>\$ 2,034,583</u>	<u>\$ 2,219,656</u>	<u>\$ 1,144,091</u>

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

March 31, 2020

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions during the year ended March 31, 2020 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:			
Smart Justice	\$ 495,413	\$ 76,000	\$ 571,413
Fellow funding		94,065	94,065
LGBT – Older Adult Coalition	-	15,471	15,471
Election Protection Program	-	128,797	128,797
	<u>495,413</u>	<u>314,333</u>	<u>809,746</u>
Time restrictions expired by passage of specified time	<u>-</u>	<u>991,689</u>	<u>991,689</u>
	<u><u>\$ 495,413</u></u>	<u><u>\$ 1,306,022</u></u>	<u><u>\$ 1,801,435</u></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, 2020

NOTE C — PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable as of March 31, 2020, all of which are due to the Fund, consist of the following:

Amounts due in:	
Less than one year	\$ 132,250
One to five years	<u>127,000</u>
	259,250
Less:	
Unamortized discount (at approximately 1.5 percent)	<u>(3,000)</u>
	<u><u>\$ 256,250</u></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.

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

March 31, 2020

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, 2020 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:						
Funds designated for long-term investment:						
Registered investment companies:						
Equity funds	\$ 1,650,643	\$ -	\$ -	\$ 1,650,643	\$ -	\$ 1,650,643
Bond funds	618,981	-	-	618,981	-	618,981
	2,269,624	-	-	2,269,624	-	2,269,624
Money market funds	241,385	-	-	241,385	-	241,385
Preferred stocks	17,750	-	-	17,750	-	17,750
Interest-bearing cash	39,361	-	-	39,361	-	39,361
Corporate bonds	-	24,877	-	24,877	-	24,877
Total Investments	2,568,120	24,877	-	2,592,997	-	2,592,997
Cash and cash equivalents	7,135,956	-	-	7,135,956	3,647,619	3,488,337
Pledges receivable	-	-	256,250	256,250	-	256,250
	\$ 9,704,076	\$ 24,877	\$ 256,250	\$ 9,985,203	\$ 3,647,619	\$ 6,337,584

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

March 31, 2020

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

The cost, fair value, and unrealized appreciation or depreciation of the Organizations' investments as of March 31, 2020 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Funds designated for long-term investment:			
Registered investment companies:			
Equity funds	\$ 1,650,643	\$ 1,404,157	\$ 246,486
Bond funds	618,981	635,739	(16,758)
	<u>2,269,624</u>	<u>2,039,896</u>	<u>229,728</u>
Money market funds	241,385	241,385	-
Preferred stocks	17,750	19,708	(1,958)
Interest-bearing cash	39,361	39,361	-
Corporate bonds	24,877	25,075	(198)
	<u>\$ 2,592,997</u>	<u>\$ 2,365,425</u>	<u>\$ 227,572</u>

The following schedule details the investment return in the combining statements of activities for the year ended March 31, 2020:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Interest and dividend income	\$ 52,624	\$ 107,495	\$ 160,119
Unrealized gain (loss)	5,135	(306,707)	(301,572)
Realized gain (loss)	(834)	48,012	47,178
	<u>\$ 56,925</u>	<u>\$ (151,200)</u>	<u>\$ (94,275)</u>

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

March 31, 2020

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, 2020 is as follows:

	<u>Pledges Receivable</u>
Changes in Level 3 Assets:	
Change in present value	\$ (3,000)
Increase in pledges receivable	170,000
Payments received	(658,655)
Write-off of uncollectible pledges	(8,000)
Change in National ACLU apportionment	<u>9,600</u>
Change in Level 3 Assets	(490,055)
Balance, Beginning of Year	<u>746,305</u>
Balance, End of Year	<u>\$ 256,250</u>

NOTE F — PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2020:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Buildings and land	\$ -	\$ 954,545	\$ 954,545
Building improvements	-	518,538	518,538
Leasehold improvements	46,283	16,395	62,678
Furniture and fixtures	38,962	215,451	254,413
Technology equipment	<u>11,307</u>	<u>268,012</u>	<u>279,319</u>
	96,552	1,972,941	2,069,493
Less: Accumulated depreciation	<u>(62,594)</u>	<u>(735,399)</u>	<u>(797,993)</u>
	<u>\$ 33,958</u>	<u>\$ 1,237,542</u>	<u>\$ 1,271,500</u>

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

March 31, 2020

NOTE G — SPECIAL EVENTS

For the year ended March 31, 2020, special event revenue from the Fund's annual dinner and other activities, and the related direct expenses, were as follows:

Revenue	\$ 218,226
Less: Direct expenses	<u>(130,650)</u>
	<u>\$ 87,576</u>

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, 2020:

	<u>Union</u>	<u>Fund</u>
Personnel costs	\$ 9,347	\$ (9,347)
Pension	8,865	(8,865)
Professional and contractual fees	29,441	(29,441)
Occupancy	(5,395)	5,395
Office expenses	8,022	(8,022)
Printing and publications	28,693	(28,693)
Conferences, conventions, and meetings	11,289	(11,289)
Depreciation	15,420	(15,420)
	<u>\$ 105,682</u>	<u>\$ (105,682)</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.

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

March 31, 2020

NOTE I — REVENUE SHARING (CONTINUED)

For the year ended March 31, 2020, 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	\$ 46,069	\$ 819,420	\$ 865,489
Less:			
Revenue shared by Organizations	-	(465,056)	(465,056)
	<u>\$ 46,069</u>	<u>\$ 354,364</u>	<u>\$ 400,433</u>

NOTE J — 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 14,875 hours of contributed services by attorneys for the year ended March 31, 2020 is estimated at \$9,095,299 for the Fund. The cases all involve civil liberties issues. This expense is allocated to litigation. Attorney fees were valued at \$100 to \$1,035 per hour. The average hourly rate was approximately \$611.

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, 2020 was \$68,113 for the Union and \$186,228 for the Fund.

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

March 31, 2020

NOTE K — NATIONAL PENSION PLAN (CONTINUED)

The pension cost for the year ended March 31, 2020, and the pension obligations as of March 31, 2020, were determined assuming the following:

	<u>Pension Cost</u>	<u>Pension Obligations</u>
Discount rate	3.91 %	3.49 %
Rate of compensation increase	4.00	4.00
Long-term rate of return	6.50	6.75

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.

As of March 31, 2020, 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	\$ 180,479	\$ 5,910,887
Additional minimum liability	1,749,736	57,305,851

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

March 31, 2020

NOTE K — NATIONAL PENSION PLAN (CONTINUED)

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:	
2021	\$ 4,422,590
2022	4,985,066
2023	5,389,808
2024	5,806,911
2025	6,246,086
2026–2030	37,168,908

For the year ended March 31, 2020, the aggregate total benefits paid by the plan are as follows:

Benefits paid and actual expenses paid	\$ 4,824,132
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As of March 31, 2020, the aggregate benefit obligations and the fair value of the aggregated plan assets are as follows:

Projected benefit obligation	\$ 185,596,793
Accumulated benefit obligation	170,671,404
Fair value of plan assets	131,164,282

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

NOTE K — NATIONAL PENSION PLAN (CONTINUED)

As of March 31, 2020, the aggregate funded status of the plan is as follows:

Funded Status, End of Year	\$ (54,432,511)
Changes in Funded Status:	
Unrecognized loss	<u>57,305,851</u>
Net Amount Recognized Before Net Periodic Pension Cost	2,873,340
Net Periodic Pension Cost:	
Minimum liability	<u>(5,910,887)</u>
Unfunded Accumulated Benefit Obligation	<u><u>\$ (3,037,547)</u></u>

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

Prepaid pension cost, beginning of year	\$ 1,784,227
Net periodic pension cost for the year	(5,910,887)
Contributions made during the year	<u>7,000,000</u>
Prepaid Pension Cost, End of Year	<u><u>\$ 2,873,340</u></u>

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

March 31, 2020

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, 2020 were \$32,895 for the Union and \$56,969 for the Fund.

NOTE M — LEASES

The Union leases office facilities located in Lansing and Traverse City, Michigan under leases that expire on various dates through December 1, 2022. Lease expense for the year ended March 31, 2020 was \$29,500 for the office facilities.

The Fund leases office facilities located in Grand Rapids, Michigan under leases that expire on various dates through July 31, 2022, as well as office equipment under leases expiring on various dates through February 9, 2024. Lease expense for the year ended March 31, 2020 was \$29,093 for the office facilities and \$5,045 for the office equipment.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

NOTE M — LEASES (CONTINUED)

Future minimum lease payments are as follows as of March 31, 2020:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
For the Years Ending March 31:			
2021	\$ 37,500	\$ 29,093	\$ 66,593
2022	37,500	29,093	66,593
2023	31,250	10,334	41,584
2024	-	1,332	1,332
	<u> </u>	<u> </u>	<u> </u>
Total Minimum Lease Payments	<u>\$ 106,250</u>	<u>\$ 69,852</u>	<u>\$ 176,102</u>

NOTE N — CHARITABLE ENDOWMENT FUND

The Organizations established an 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, 2020 totaled \$481.

Since the Endowment Fund has been funded entirely by contributions from outside donors, this fund is not recorded on the combining statements of financial position of the Organizations. The fair value of the Endowment Fund as of March 31, 2020 is \$9,741.

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.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2020

NOTE O — LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organizations have the following financial assets available for general expenditures within one year as of March 31, 2020:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Financial Assets:			
Cash and cash equivalents	\$ 3,647,619	\$ 3,488,337	\$ 7,135,956
Accounts receivable	2,882	996,422	999,304
Pledges receivable	-	256,250	256,250
Due from National organization	190,571	224,785	415,356
	<u>3,841,072</u>	<u>4,965,794</u>	<u>8,806,866</u>
Total Financial Assets			
Less:			
Donor-restricted assets	(185,073)	(2,034,583)	(2,219,656)
	<u>(185,073)</u>	<u>(2,034,583)</u>	<u>(2,219,656)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 3,655,999</u>	<u>\$ 2,931,211</u>	<u>\$ 6,587,210</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 P — 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 spreads 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, 2020

NOTE P — 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. As of the date that the accompanying combining financial statements were available to be issued, the Organizations' investment portfolio has incurred a significant decline in fair value since March 31, 2020. The COVID-19 outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of regional economic slowdown. This situation is expected to depress contributions during the year ending March 31, 2021, which may hinder the Organizations' ability to advance their mission. As such, the Organizations' financial condition and liquidity may be negatively impacted for the year ending March 31, 2021.

Although the Organizations cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Organizations' results of future operations, financial position, and liquidity during the year ending March 31, 2021.

NOTE Q — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 applies to the Organizations' combining financial statements for the year ending March 31, 2021 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 2014-09.

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, 2020

NOTE Q — NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The FASB issued 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. 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.