

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

COMBINING FINANCIAL STATEMENTS

March 31, 2021
(With Comparative Totals for March 31, 2020)



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 8, 2021

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, 2021, 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, 2021, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

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

Emphasis of Matter — Adoption of New Accounting Pronouncements

As discussed in Note A, effective April 1, 2020, the Organizations have adopted the provisions contained in Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

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, 2020, and we expressed an unmodified opinion on those audited combining financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of, and for the year ended, March 31, 2020 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, 2021
(With Comparative Totals as of March 31, 2020)

	2021		Combined Totals	
	American Civil Liberties Union of Michigan ("Union")	American Civil Liberties Union Fund of Michigan ("Fund")	2021	2020
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,958,272	\$ 2,671,766	\$ 6,630,038	\$ 7,135,956
Accounts receivable (no allowance considered necessary)	49,382	716,854	766,236	999,304
Pledges receivable – current portion (Note C)	-	137,000	137,000	132,250
Operating investments (Note E)	-	381,117	381,117	-
Prepaid expenses	23,889	66,259	90,148	88,793
Due from National organization (Note D)	305,038	1,552,044	1,857,082	415,356
Total Current Assets	<u>4,336,581</u>	<u>5,525,040</u>	<u>9,861,621</u>	<u>8,771,659</u>
Other Assets:				
Pledges receivable (net of current portion) (Note C)	-	49,558	49,558	124,000
Funds designated for long-term investment (Note E)	-	3,243,608	3,243,608	2,592,997
Property and equipment (net of accumulated depreciation) (Note F)	26,899	1,213,134	1,240,033	1,271,500
Total Other Assets	<u>26,899</u>	<u>4,506,300</u>	<u>4,533,199</u>	<u>3,988,497</u>
Total Assets	<u>\$ 4,363,480</u>	<u>\$ 10,031,340</u>	<u>\$ 14,394,820</u>	<u>\$ 12,760,156</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, 2021
(With Comparative Totals as of March 31, 2020)

	2021		Combined Totals	
	Union	Fund	2021	2020
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 103,352	\$ 126,453	\$ 229,805	\$ 147,807
Accrued payroll	59,602	210,122	269,724	215,988
Deferred revenue	-	-	-	900
Accrued pension	71,068	184,953	256,021	254,341
Total Current Liabilities	234,022	521,528	755,550	619,036
Long-Term Liabilities:				
Unfunded pension obligation (Note J)	206,981	538,662	745,643	1,495,395
Total Liabilities	441,003	1,060,190	1,501,193	2,114,431
Net Assets:				
Net assets without donor restrictions:				
Board-designated for long-term investment (Note E)	-	3,243,608	3,243,608	2,592,997
Undesignated	3,792,670	4,572,288	8,364,958	5,833,072
Total Net Assets without Donor Restrictions	3,792,670	7,815,896	11,608,566	8,426,069
Net assets with donor restrictions (Note B)	129,807	1,155,254	1,285,061	2,219,656
Total Net Assets	3,922,477	8,971,150	12,893,627	10,645,725
Total Liabilities and Net Assets	\$ 4,363,480	\$ 10,031,340	\$ 14,394,820	\$ 12,760,156

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, 2021
 (With Comparative Totals for the Year Ended March 31, 2020)**

	2021		Combined Totals	
	Union	Fund	2021	2020
Changes in Net Assets without Donor Restrictions:				
Revenue:				
Membership share	\$ 1,487,760	\$ -	\$ 1,487,760	\$ 1,250,094
Contributions and other support	516,473	5,497,087	6,013,560	1,817,368
Special events, net	-	-	-	87,576
Intra-organization support (Note G)	(4,298)	4,298	-	-
Revenue sharing, net (Note H)	47,912	1,647,823	1,695,735	400,433
Attorney fees	-	636,046	636,046	268,513
Literature sales and other revenue	4,358	5,686	10,044	6,387
Investment return, net (Note E)	3,533	958,567	962,100	(99,162)
In-kind donations (Note I)	-	14,080,680	14,080,680	9,095,299
	<u>2,055,738</u>	<u>22,830,187</u>	<u>24,885,925</u>	<u>12,826,508</u>
Total Revenue without Donor Restrictions				
Net assets released from restrictions (Note B)	<u>185,073</u>	<u>1,715,309</u>	<u>1,900,382</u>	<u>1,801,435</u>
Total Revenue and Other Support without Donor Restrictions	<u>2,240,811</u>	<u>24,545,496</u>	<u>26,786,307</u>	<u>14,627,943</u>
Expenses:				
Program services:				
Legislative	892,074	-	892,074	611,463
Advocacy and outreach	390,766	-	390,766	490,438
Member service	257,087	-	257,087	260,485
Litigation	-	15,448,130	15,448,130	10,415,002
Communications and outreach	-	5,982,758	5,982,758	1,043,737
	<u>1,539,927</u>	<u>21,430,888</u>	<u>22,970,815</u>	<u>12,821,125</u>
Total Program Services				
Supporting services:				
Management and general	215,318	541,311	756,629	664,958
Fund raising	-	626,119	626,119	645,888
	<u>215,318</u>	<u>1,167,430</u>	<u>1,382,748</u>	<u>1,310,846</u>
Total Supporting Services				
Total Expenses	<u>1,755,245</u>	<u>22,598,318</u>	<u>24,353,563</u>	<u>14,131,971</u>
Change in Net Assets without Donor Restrictions from Operations				
	<u>\$ 485,566</u>	<u>\$ 1,947,178</u>	<u>\$ 2,432,744</u>	<u>\$ 495,972</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, 2021
 (With Comparative Totals for the Year Ended March 31, 2020)**

	2021		Combined Totals	
	Union	Fund	2021	2020
Changes in Net Assets without Donor Restrictions (continued):				
Other changes:				
Nonperiodic pension provision (Note J)	\$ 193,486	\$ 556,267	\$ 749,753	\$ (353,650)
Change in Net Assets without Donor Restrictions	679,052	2,503,445	3,182,497	142,322
Changes in Net Assets with Donor Restrictions:				
Contributions	129,807	835,980	965,787	2,877,000
Net assets released from restrictions (Note B)	(185,073)	(1,715,309)	(1,900,382)	(1,801,435)
Change in Net Assets with Donor Restrictions	(55,266)	(879,329)	(934,595)	1,075,565
Change in Net Assets	623,786	1,624,116	2,247,902	1,217,887
Net Assets, Beginning of Year	3,298,691	7,347,034	10,645,725	9,427,838
Net Assets, End of Year	\$ 3,922,477	\$ 8,971,150	\$ 12,893,627	\$ 10,645,725

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, 2021
 (With Comparative Totals for the Year Ended March 31, 2020)**

	2021									Total Expenses	
	Program Services					Supporting Services				2021	2020
	Legislative	Advocacy and Outreach	Member Service	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 386,092	\$ 253,098	\$ 172,855	\$ 968,211	\$ 810,072	\$ 2,590,328	\$ 515,481	\$ 450,927	\$ 966,408	\$ 3,556,736	\$ 3,402,684
Pension (Note J)	27,792	18,219	12,442	69,694	58,311	186,458	37,105	32,459	69,564	256,022	254,341
Professional and contractual fees	350,343	28,810	19,894	152,370	983,766	1,535,183	115,977	57,319	173,296	1,708,479	417,236
Occupancy	12,526	15,942	7,515	39,789	32,143	107,915	16,462	18,772	35,234	143,149	146,495
Office expenses	22,397	35,196	20,128	71,147	94,555	243,423	41,517	38,864	80,381	323,804	253,048
Program activities and materials	84,037	385	385	50,838	1,935,073	2,070,718	5,575	5,190	10,765	2,081,483	107,474
Printing and publications	-	27,805	18,536	-	2,046,031	2,092,372	-	9,268	9,268	2,101,640	118,888
Conferences, conventions, and meetings	1,042	1,326	625	3,310	2,674	8,977	1,370	1,562	2,932	11,909	238,616
Bad debt expense	-	-	-	-	-	-	-	-	-	-	8,000
In-kind services (Note I)	-	-	-	14,067,849	-	14,067,849	12,831	-	12,831	14,080,680	9,095,299
Total Expenses Before Depreciation	884,229	380,781	252,380	15,423,208	5,962,625	22,903,223	746,318	614,361	1,360,679	24,263,902	14,042,081
Depreciation (Note A)	7,845	9,985	4,707	24,922	20,133	67,592	10,311	11,758	22,069	89,661	89,890
Total Expenses	\$ 892,074	\$ 390,766	\$ 257,087	\$ 15,448,130	\$ 5,982,758	\$ 22,970,815	\$ 756,629	\$ 626,119	\$ 1,382,748	\$ 24,353,563	\$ 14,131,971

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, 2021
(With Comparative Totals for the Year Ended March 31, 2020)

	2021					Total Expenses	
	Program Services			Supporting Services		2021	2020
	Legislative	Advocacy and Outreach	Member Service	Total Program Services	Management and General		
Personnel costs	\$ 386,092	\$ 253,098	\$ 172,855	\$ 812,045	\$ 156,343	\$ 968,388	\$ 1,029,847
Pension (Note J)	27,792	18,219	12,442	58,453	11,254	69,707	76,978
Professional and contractual fees	350,343	28,810	19,894	399,047	27,642	426,689	103,761
Occupancy	12,526	15,942	7,515	35,983	5,205	41,188	44,947
Office expenses	22,397	35,196	20,128	77,721	10,795	88,516	72,373
Program activities and materials	84,037	385	385	84,807	385	85,192	81,994
Printing and publications	-	27,805	18,536	46,341	-	46,341	29,722
Conferences, conventions, and meetings	1,042	1,326	625	2,993	433	3,426	73,212
Total Expenses Before Depreciation	884,229	380,781	252,380	1,517,390	212,057	1,729,447	1,512,834
Depreciation (Note A)	7,845	9,985	4,707	22,537	3,261	25,798	27,580
Total Expenses	\$ 892,074	\$ 390,766	\$ 257,087	\$ 1,539,927	\$ 215,318	\$ 1,755,245	\$ 1,540,414

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, 2021
(With Comparative Totals for the Year Ended March 31, 2020)

	2021						Total Expenses	
	Program Services			Supporting Services			2021	2020
	Litigation	Communications and Outreach	Total Program Services	Management and General	Fund Raising	Total Supporting Services		
Personnel costs	\$ 968,211	\$ 810,072	\$ 1,778,283	\$ 359,138	\$ 450,927	\$ 810,065	\$ 2,588,348	\$ 2,372,837
Pension (Note J)	69,694	58,311	128,005	25,851	32,459	58,310	186,315	177,363
Professional and contractual fees	152,370	983,766	1,136,136	88,335	57,319	145,654	1,281,790	313,475
Occupancy	39,789	32,143	71,932	11,257	18,772	30,029	101,961	101,548
Office expenses	71,147	94,555	165,702	30,722	38,864	69,586	235,288	180,675
Program activities and materials	50,838	1,935,073	1,985,911	5,190	5,190	10,380	1,996,291	25,480
Printing and publications	-	2,046,031	2,046,031	-	9,268	9,268	2,055,299	89,166
Conferences, conventions, and meetings	3,310	2,674	5,984	937	1,562	2,499	8,483	165,404
Bad debt expense	-	-	-	-	-	-	-	8,000
In-kind services (Note I)	14,067,849	-	14,067,849	12,831	-	12,831	14,080,680	9,095,299
Total Expenses Before Depreciation	15,423,208	5,962,625	21,385,833	534,261	614,361	1,148,622	22,534,455	12,529,247
Depreciation (Note A)	24,922	20,133	45,055	7,050	11,758	18,808	63,863	62,310
Total Expenses	\$ 15,448,130	\$ 5,982,758	\$ 21,430,888	\$ 541,311	\$ 626,119	\$ 1,167,430	\$ 22,598,318	\$ 12,591,557

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, 2021
 (With Comparative Totals for the Year Ended March 31, 2020)**

	<u>2021</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:				
Cash received from members	\$ 1,373,293	\$ -	\$ 1,373,293	\$ 1,243,992
Cash received from contributors and revenue sharing	647,692	7,001,991	7,649,683	4,788,011
Cash received from special events	-	-	-	211,876
Cash received from attorney fees	-	636,046	636,046	268,513
Cash received from other sources	4,358	5,686	10,044	6,387
Cash received from investment income	3,533	62,024	65,557	155,232
Cash paid for personnel costs	(1,002,658)	(2,754,683)	(3,757,341)	(3,625,950)
Cash paid to suppliers and vendors	(711,106)	(5,578,715)	(6,289,821)	(1,389,832)
	<u>315,112</u>	<u>(627,651)</u>	<u>(312,539)</u>	<u>1,658,229</u>
Net Cash Flows from Operating Activities				
Cash Flows from Investing Activities:				
Acquisition of property and equipment	(4,459)	(53,735)	(58,194)	(91,803)
Proceeds received from disposition of investments	-	574,571	574,571	1,958,064
Acquisition of investments	-	(709,756)	(709,756)	(526,172)
	<u>(4,459)</u>	<u>(188,920)</u>	<u>(193,379)</u>	<u>1,340,089</u>
Net Cash Flows from Investing Activities				
Change in Cash and Cash Equivalents	310,653	(816,571)	(505,918)	2,998,318
Cash and Cash Equivalents, Beginning of Year	3,647,619	3,488,337	7,135,956	4,137,638
Cash and Cash Equivalents, End of Year	<u>\$ 3,958,272</u>	<u>\$ 2,671,766</u>	<u>\$ 6,630,038</u>	<u>\$ 7,135,956</u>

See notes to combining financial statements.

NOTES TO COMBINING FINANCIAL STATEMENTS

March 31, 2021

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, 2021

**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 May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The objectives of ASU 2014-09 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 recognizes 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. ASU 2014-09 also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organizations adopted the provisions of ASU 2014-09 as of April 1, 2020, using the modified retrospective approach. 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.

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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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

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 (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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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

Revenue Recognition

Upon the adoption of ASU 2014-09, 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. For the year ended March 31, 2021, recognition of revenue for the Organizations subsequent to the adoption of ASU 2014-09 is substantially similar in amount and approach as in previous years.

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. 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, 2021 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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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

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.
- 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.

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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

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, 2021.

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

NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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

Fair Value Measurements (continued)

- 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.

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, 2021 approximated \$73,000 for the Union and \$99,000 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, 2020, from which the summarized information was derived.

Subsequent Events

The Organizations have evaluated subsequent events through October 8, 2021, 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, 2021

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of March 31, 2021 and 2020 for the following purposes or periods:

	<u>2021</u>		<u>Combined Totals</u>	
	<u>Union</u>	<u>Fund</u>	<u>2021</u>	<u>2020</u>
Restricted for specific purposes:				
Smart Justice	\$ 111,882	\$ 116,102	\$ 227,984	\$ 213,360
Engagement Strategist	-	102,000	102,000	102,000
Fellow funding	-	25,978	25,978	117,634
Hill settlement	-	150,000	150,000	-
Collaboration for Gender and Reproductive Rights	-	300,000	300,000	-
Call and Text Program	17,925	-	17,925	-
LGBT – Older Adult Coalition	-	-	-	23,796
Election Protection Program	-	-	-	1,116,203
	<u>129,807</u>	<u>694,080</u>	<u>823,887</u>	<u>1,572,993</u>
Restricted for use in future periods:				
Pledges receivable	-	90,759	90,759	126,625
Future operations	-	370,415	370,415	520,038
	<u>-</u>	<u>461,174</u>	<u>461,174</u>	<u>646,663</u>
	<u>\$ 129,807</u>	<u>\$ 1,155,254</u>	<u>\$ 1,285,061</u>	<u>\$ 2,219,656</u>

Net assets were released from donor restrictions during the year ended March 31, 2021 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	\$ 185,073	\$ 9,000	\$ 194,073
Fellow funding	-	91,656	91,656

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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):			
LGBT – Older Adult Coalition	\$ -	\$ 23,796	\$ 23,796
Election Protection Program	-	1,116,203	1,116,203
	<u>185,073</u>	<u>1,240,655</u>	<u>1,425,728</u>
Time restrictions expired by passage of specified time	<u>-</u>	<u>474,654</u>	<u>474,654</u>
	<u>\$ 185,073</u>	<u>\$ 1,715,309</u>	<u>\$ 1,900,382</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, 2021, all of which are due to the Fund, consist of the following:

Amounts due in:	
Less than one year	\$ 137,000
One to five years	<u>52,881</u>
	189,881
Less:	
Unamortized discount (at 2.6 percent)	<u>(3,323)</u>
	<u>\$ 186,558</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, 2021

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, 2021 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	\$ 2,234,363	\$ -	\$ -	\$ 2,234,363	\$ -	\$ 2,234,363
Bond funds	1,026,865	-	-	1,026,865	-	1,026,865
	3,261,228	-	-	3,261,228	-	3,261,228
Money market funds	241,428	-	-	241,428	-	241,428
Preferred stocks	23,126	-	-	23,126	-	23,126
Interest-bearing cash	73,496	-	-	73,496	-	73,496
Corporate bonds	-	25,447	-	25,447	-	25,447
Total Investments	3,599,278	25,447	-	3,624,725	-	3,624,725
Cash and cash equivalents	6,630,038	-	-	6,630,038	3,958,272	2,671,766
Pledges receivable	-	-	186,558	186,558	-	186,558
	\$ 10,229,316	\$ 25,447	\$ 186,558	\$ 10,441,321	\$ 3,958,272	\$ 6,483,049

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

Investments as of March 31, 2021, all of which are held by the Fund, are reported in the combining statements of financial position as follows:

Operating investments	\$ 381,117
Funds designated for long-term investment	<u>3,243,608</u>
	<u>\$ 3,624,725</u>

The cost, fair value, and unrealized appreciation or depreciation of the Organizations' investments as of March 31, 2021 are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Registered investment companies:			
Equity funds	\$ 2,234,363	\$ 1,271,991	\$ 962,372
Bond funds	<u>1,026,865</u>	<u>1,031,679</u>	<u>(4,814)</u>
	3,261,228	2,303,670	957,558
Money market funds	241,428	241,428	-
Preferred stocks	23,126	19,708	3,418
Interest-bearing cash	73,496	73,496	-
Corporate bonds	<u>25,447</u>	<u>25,026</u>	<u>421</u>
	<u>\$ 3,624,725</u>	<u>\$ 2,663,328</u>	<u>\$ 961,397</u>

The following schedule details the investment return in the combining statements of activities for the year ended March 31, 2021:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Interest and dividend income	\$ 3,533	\$ 62,024	\$ 65,557
Unrealized gain	-	733,774	733,774
Realized gain	<u>-</u>	<u>162,769</u>	<u>162,769</u>
	<u>\$ 3,533</u>	<u>\$ 958,567</u>	<u>\$ 962,100</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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, 2021 is as follows:

	<u>Pledges Receivable</u>
Changes in Level 3 Assets:	
Increase in pledges receivable	\$ 50,000
Payments received	(122,692)
Change in National ACLU apportionment	<u>3,000</u>
Change in Level 3 Assets	(69,692)
Balance, Beginning of Year	<u>256,250</u>
Balance, End of Year	<u>\$ 186,558</u>

NOTE F — PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of March 31, 2021:

	<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>15,766</u>	<u>321,747</u>	<u>337,513</u>
	101,011	2,026,676	2,127,687
Less: Accumulated depreciation	<u>(74,112)</u>	<u>(813,542)</u>	<u>(887,654)</u>
	<u>\$ 26,899</u>	<u>\$ 1,213,134</u>	<u>\$ 1,240,033</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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, 2021:

	<u>Union</u>	<u>Fund</u>
Personnel costs	\$ 19,325	\$ (19,325)
Pension	(1,361)	1,361
Professional and contractual fees	69,980	(69,980)
Occupancy	(12,061)	12,061
Office expenses	18,809	(18,809)
Program activities and materials	(49)	49
Printing and publications	(115,153)	115,153
Conferences, conventions, and meetings	1,932	(1,932)
Depreciation	14,280	(14,280)
	<u>\$ (4,298)</u>	<u>\$ 4,298</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.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

NOTE H — REVENUE SHARING (CONTINUED)

For the year ended March 31, 2021, 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	\$ 86,357	\$ 2,219,443	\$ 2,305,800
Less:			
Revenue shared by Organizations	<u>(38,445)</u>	<u>(571,620)</u>	<u>(610,065)</u>
	<u>\$ 47,912</u>	<u>\$ 1,647,823</u>	<u>\$ 1,695,735</u>

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 17,653 hours of contributed services by attorneys for the year ended March 31, 2021 is estimated at \$14,080,680 for the Fund. The cases all involve civil liberties issues. This expense is allocated to litigation. Attorney fees were valued at \$175 to \$1,121 per hour. The average hourly rate was approximately \$797.

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, 2021 was \$71,068 for the Union and \$184,953 for the Fund.

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

NOTE J — NATIONAL PENSION PLAN (CONTINUED)

The pension cost for the year ended March 31, 2021, and the pension obligations as of March 31, 2021, were determined assuming the following:

	<u>Pension Cost</u>	<u>Pension Obligations</u>
Discount rate	3.49 %	3.30 %
Rate of compensation increase	4.00	4.00
Long-term rate of return	6.75	6.25

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, 2021, 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	\$ 224,492	\$ 7,278,466
Additional minimum liability	1,001,664	32,475,916

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:	
2022	\$ 5,145,767
2023	5,616,108
2024	6,032,678
2025	6,586,495
2026	7,054,183
2027–2031	40,925,773

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

NOTE J — NATIONAL PENSION PLAN (CONTINUED)

For the year ended March 31, 2021, the aggregate total benefits paid by the plan are as follows:

Benefits paid and actual expenses paid	\$ 5,350,630
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As of March 31, 2021, the aggregate benefit obligations and the fair value of the aggregated plan assets are as follows:

Projected benefit obligation	\$ 203,896,673
Accumulated benefit obligation	187,248,685
Fair value of plan assets	176,015,631

As of March 31, 2021, the aggregate funded status of the plan is as follows:

Funded Status, End of Year	\$ (27,881,042)
Changes in Funded Status:	
Unrecognized loss	<u>32,475,916</u>
Net Amount Recognized Before Net Periodic Pension Cost	4,594,874
Net Periodic Pension Cost:	
Minimum liability	<u>(7,278,466)</u>
Unfunded Accumulated Benefit Obligation	<u>\$ (2,683,592)</u>

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

Prepaid pension cost, beginning of year	\$ 2,873,340
Net periodic pension cost for the year	(7,278,466)
Contributions made during the year	<u>9,000,000</u>
Prepaid Pension Cost, End of Year	<u>\$ 4,594,874</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

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. 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, 2021 were \$28,807 for the Union and \$73,999 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, 2021 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 February 9, 2024. Lease expense for the year ended March 31, 2021 was \$24,048 for the office facilities and \$5,281 for the office equipment.

Future minimum lease payments are as follows as of March 31, 2021:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
For the Years Ending March 31:			
2022	\$ 37,500	\$ 29,330	\$ 66,830
2023	31,250	10,393	41,643
2024	-	1,332	1,332
	<u> </u>	<u> </u>	<u> </u>
Total Minimum Lease Payments	<u>\$ 68,750</u>	<u>\$ 41,055</u>	<u>\$ 109,805</u>

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NOTES TO COMBINING FINANCIAL STATEMENTS (CONTINUED)

March 31, 2021

NOTE L — LEASES (CONTINUED)

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, 2021 was \$2,700.

NOTE M — 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, 2021 totaled \$496.

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, 2021 is \$12,740.

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, 2021

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, 2021:

	<u>Union</u>	<u>Fund</u>	<u>Total</u>
Financial Assets:			
Cash and cash equivalents	\$ 3,958,272	\$ 2,671,766	\$ 6,630,038
Accounts receivable	49,382	716,854	766,236
Pledges receivable – current portion	-	137,000	137,000
Due from National organization	305,038	1,552,044	1,857,082
Total Financial Assets	4,312,692	5,077,664	9,390,356
Less:			
Assets with donor restrictions for specific purposes	(129,807)	(694,080)	(823,887)
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,182,885</u>	<u>\$ 4,383,584</u>	<u>\$ 8,566,469</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, 2021

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 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. 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 as a result of ASU 2014-09. 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.