

**AMERICAN CIVIL LIBERTIES UNION OF
TENNESSEE FOUNDATION, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
MARCH 31, 2012 AND MARCH 31, 2011**

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses.....	5 - 6
Notes to Financial Statements.....	7 - 13



(INDEPENDENT AUDITORS' REPORT)

To the Board of Directors

American Civil Liberties Union of Tennessee Foundation, Inc.

Nashville, Tennessee

We have audited the accompanying statements of financial position of **American Civil Liberties Union of Tennessee Foundation, Inc.** (a nonprofit organization) as of March 31, 2012 and 2011 (as restated), and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **American Civil Liberties Union of Tennessee Foundation, Inc.** as of March 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CPA Consulting Group, PLLC

Nashville, Tennessee

October 3, 2012

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2012 AND 2011**

	<u>2012</u>	<u>2011, As Restated</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 445,068	\$ 334,898
Investments in Marketable Securities	315,857	313,292
Accounts receivable	250	-
Due From ACLU of Tennessee (Affiliate)	39,757	21,273
Due From National ACLU	14,474	14,474
TOTAL CURRENT ASSETS	<u>815,406</u>	<u>683,937</u>
FIXED ASSETS		
Leasehold Improvements	21,050	21,050
Office Furniture and Equipment	43,852	40,344
Less: Accumulated Depreciation	<u>(25,859)</u>	<u>(14,375)</u>
TOTAL FIXED ASSETS	<u>39,043</u>	<u>47,019</u>
OTHER ASSETS		
Security Deposits	<u>4,555</u>	<u>4,555</u>
TOTAL ASSETS	<u><u>\$ 859,004</u></u>	<u><u>\$ 735,511</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 32,933	\$ 22,601
Deferred rent	<u>5,459</u>	<u>6,508</u>
TOTAL CURRENT LIABILITIES	<u>38,392</u>	<u>29,109</u>
NET ASSETS		
Net Assets - Unrestricted	809,964	695,754
Net Assets – Temporarily restricted	<u>10,648</u>	<u>10,648</u>
TOTAL NET ASSETS	<u>820,612</u>	<u>706,402</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 859,004</u></u>	<u><u>\$ 735,511</u></u>

See Independent Auditors' Report and Notes to Financial Statement

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

	2012			2011, As Restated		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE & SUPPORT						
Attorney Fees	\$ 6,350	\$ -	\$ 6,350	\$ 30,975	\$ -	\$ 30,975
Bequests	116,320	-	116,320	-	-	-
Contributions	89,460	-	89,460	38,674	-	38,674
Shared Revenues	173,688	-	173,688	183,855	-	183,855
Event Revenue	54,876	-	54,876	53,933	-	53,933
Grant Revenue	-	215,571	215,571	-	178,662	178,662
Other Income	35,371	-	35,371	18,009	-	18,009
Investment return	3,996	-	3,996	30,882	-	30,882
In-Kind Donations	23,063	-	23,063	63,831	-	63,831
Net Assets Released From Restriction	215,572	(215,572)	-	256,995	(256,995)	-
TOTAL REVENUE AND SUPPORT	<u>718,696</u>	<u>-</u>	<u>718,695</u>	<u>677,154</u>	<u>(78,333)</u>	<u>598,821</u>
EXPENSES						
Program Services:						
Legal	255,481	-	255,481	242,185	-	242,185
Public Education	232,771	-	232,771	200,765	-	200,765
Total Program Services	<u>488,252</u>	<u>-</u>	<u>488,252</u>	<u>442,950</u>	<u>-</u>	<u>442,950</u>
Supporting Services:						
Management and General	73,456	-	73,456	58,123	-	58,123
Fundraising	42,778	-	42,778	36,704	-	36,704
Total Support Services	<u>116,234</u>	<u>-</u>	<u>116,234</u>	<u>94,827</u>	<u>-</u>	<u>94,827</u>
TOTAL EXPENSES	<u>604,486</u>	<u>-</u>	<u>604,486</u>	<u>537,777</u>		<u>537,777</u>
CHANGE IN NET ASSETS	<u>114,210</u>	<u>-</u>	<u>114,209</u>	<u>139,377</u>	<u>(78,333)</u>	<u>61,044</u>
NET ASSETS:						
BEGINNING OF YEAR	<u>695,754</u>	<u>10,648</u>	<u>706,402</u>	<u>556,377</u>	<u>88,981</u>	<u>645,358</u>
END OF YEAR	<u>\$ 809,964</u>	<u>\$ 10,648</u>	<u>\$ 820,612</u>	<u>\$ 695,754</u>	<u>\$ 10,648</u>	<u>\$ 706,402</u>

See Independent Auditors' Report and Notes to Financial Statement

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 114,209	\$ 61,044
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	11,483	8,241
Unrealized gains on investments	22,172	(19,053)
Realized (gain)/loss	(10,258)	(513)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(250)	-
Prepaid Expense	-	5,663
Security Deposit	-	-
Due from Affiliate	(18,484)	(491)
Due from National	-	(14,474)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	10,331	10,078
Accrued Payroll	-	(11,071)
Deferred rent	(1,047)	6,508
Due to Affiliate	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>128,158</u>	<u>45,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchases	(404,128)	(21,361)
Proceeds from Investment Sales	389,649	10,535
Purchase of Equipment	(3,509)	(14,724)
NET CASH (USED) IN INVESTING ACTIVITIES	<u>(17,988)</u>	<u>(25,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	110,170	20,382
BEGINNING CASH	<u>334,898</u>	<u>314,516</u>
ENDING CASH	<u>\$ 445,068</u>	<u>\$ 334,898</u>

See Independent Auditors' Report and Notes to Financial Statement

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012**

	Program Services			Supporting Services			Total Expenses
	<u>Legal</u>	<u>Public Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Banking Fees	\$ -	\$ -	\$ -	\$ 2,762	\$ -	\$ 2,762	\$ 2,762
Board Meetings	-	-	-	587	-	587	587
Credit Card Fees	-	-	-	965	-	965	965
Donated attorney services	23,066	-	23,066	-	-	-	23,066
Employee Benefits	14,204	14,204	28,408	3,101	55	3,156	31,564
Event Expenses	-	-	-	-	13,568	13,568	13,568
Fundraising	-	-	-	933	3,734	4,667	4,667
Health Insurance	10,015	10,015	20,030	1,113	1,113	2,226	22,256
Litigation Services	34,202	-	34,202	1,800	-	1,800	36,002
National Shared Database	-	-	-	-	4,056	4,056	4,056
Office Insurance	-	-	-	1,943	-	1,943	1,943
Payroll Processing Fees	1,253	1,253	2,506	139	139	278	2,784
Payroll Taxes	11,748	11,748	23,496	1,305	1,305	2,610	26,106
Postage	-	1,386	1,386	154	-	154	1,540
Printing & Reproduction	2,654	2,654	5,308	590	-	590	5,898
Professional Development	4,424	4,424	8,848	983	-	983	9,831
Professional Fees	-	-	-	9,296	-	9,296	9,296
Public Education	-	17,814	17,814	938	-	938	18,752
Rent	23,597	23,597	47,194	2,622	2,622	5,244	52,438
Repairs & Maintenance	-	-	-	859	-	859	859
Salaries	122,863	138,221	261,084	30,716	15,358	46,074	307,158
Supplies	2,377	2,377	4,754	264	264	528	5,282
Telephone	5,078	5,078	10,156	564	564	1,128	11,284
Travel	-	-	-	339	-	339	339
Total Expense Before Depreciation	255,481	232,771	488,252	61,973	42,778	104,751	593,003
Depreciation	-	-	-	11,483	-	11,483	11,483
Total Expenses	<u>\$255,481</u>	<u>\$ 232,771</u>	<u>\$ 488,252</u>	<u>\$ 73,456</u>	<u>\$ 42,778</u>	<u>\$ 116,234</u>	<u>\$ 604,486</u>

See Independent Auditors' Report and Notes to Financial Statements.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012**

	Program Services			Supporting Services			Total Expenses
	<u>Legal</u>	<u>Public Education</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	
Banking Fees	\$ -	\$ -	\$ -	\$ 82	\$ -	\$ 82	\$ 82
Board Meetings	-	-	-	473	-	473	473
Credit Card Fees	-	-	-	804	-	804	804
Donated attorney services	63,831	-	63,831	-	-	-	63,831
Employee Benefits	10,249	10,249	20,498	2,218	60	2,278	22,776
Event Expenses	-	-	-	-	14,070	14,070	14,070
Fundraising	-	-	-	445	1,780	2,225	2,225
Grant Expenses	-	14,429	14,429	-	-	-	14,429
Health Insurance	7,555	7,555	15,110	839	839	1,678	16,788
Insurance	-	-	-	1,015	-	1,015	1,015
Litigation Services	14,108	-	14,108	743	-	743	14,851
National Shared Database	-	-	-	-	3,432	3,432	3,432
Office Expense	-	-	-	1,160	-	1,160	1,160
Payroll Processing Fees	1,087	1,087	2,174	121	121	242	2,416
Payroll Taxes	8,323	8,323	16,646	925	925	1,850	18,496
Postage	-	986	986	110	-	110	1,096
Printing & Reproduction	5,912	5,912	11,824	1,314	-	1,314	13,138
Professional Development	3,662	3,662	7,324	814	-	814	8,138
Professional Fees	-	-	-	9,200	-	9,200	9,200
Public Education	-	9,268	9,268	488	-	488	9,756
Rent	25,738	25,738	51,476	2,860	2,860	5,720	57,196
Repairs & Maintenance	-	-	-	630	-	630	630
Salaries	94,689	106,525	201,214	23,672	11,836	35,508	236,722
Staff & Volunteer Events	-	-	-	706	-	706	706
Supplies	2,354	2,354	4,708	262	262	524	5,232
Telephone	4,677	4,677	9,354	519	519	1,038	10,392
Travel	-	-	-	322	-	322	322
Website	-	-	-	160	-	160	160
Total Expense Before Depreciation	242,185	200,765	442,950	49,882	36,704	86,586	529,536
Depreciation	-	-	-	8,241	-	8,241	8,241
Total Expenses	<u>\$242,185</u>	<u>\$ 200,765</u>	<u>\$ 442,950</u>	<u>\$ 58,123</u>	<u>\$ 36,704</u>	<u>\$ 94,827</u>	<u>\$ 537,777</u>

See Independent Auditors' Report and Notes to Financial Statements.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The American Civil Liberties Union of Tennessee Foundation, Inc. (The Foundation) is a private, non-profit organization incorporated under the laws of the state of Tennessee. Its mission is to protect and expand individual liberties through public education and to provide legal assistance to aggrieved persons in litigation for the purpose of providing Bill of Rights protection.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax for the years ending March 31, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Basis of Presentation

The financial statements of The Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recorded when incurred.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Fixed Assets

Fixed assets are recorded at cost at the date of purchase or fair value at the date of donation less accumulated depreciation. Depreciation is taken on a straight-line basis over the estimated useful life of the assets. Expenditures that substantially increase the useful lives of existing property and equipment items are capitalized, while expenditures for maintenance, repairs, and minor improvements are expensed as paid. Management periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Depreciation expense for the years ended March 31, 2012 and 2011 was \$11,483 and \$8,241, respectively.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the programs and support services have been summarized on a functional basis in the statements of activities and statements of functional expenses. The statement of functional expenses has been prepared by allocating expenses between programs and supporting services.

Contributed Services and Supplies

Certain individuals, including members of the Board of Directors, donate substantial time to the operations of the Foundation. Revenues and expenses related to these services are not reflected in the financial statements. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, 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 in the period received.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Receivables

All receivables are considered to be fully collectible by management.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through August 31, 2012, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the statement of financial position for cash and cash equivalents approximate fair values because of the short maturities of these instruments.

Investments as of March 31, 2012 and 2011 are summarized as follows:

	Fair Value		Carrying Value	
	3/31/12	3/31/11	3/31/12	3/31/11
Unrestricted:				
Mutual Funds	\$ 315,857	\$ 313,293	\$ 315,857	\$ 313,293

	3/31/12			3/31/11		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Interest & dividends	\$ 15,826	-	-	\$ 11,317	-	-
Net realized and unrealized Gain (Loss)	(11,913)	-	-	19,565	-	-
Total Investment Return	\$ 3,913	-	-	\$ 30,882	-	-

Fair values of the mutual funds are based on quoted market prices in active markets for identical assets (Level 1).

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 3 – PENSION & 401(K) PLAN

A defined benefit pension plan is provided by the National ACLU for employees hired before March 31, 2009. Contributions are actuarially determined each year by an independent consulting actuary enrolled with the IRS, and satisfy all minimum funding requirements established by the IRS and other governmental agencies. There is no cost to the employees for this benefit. Pension expense reported by Foundation for the years ended March 31, 2012 and 2011 was \$27,446 and \$21,583 respectively.

A 401(k) plan is also provided by the National ACLU for employees hired before March 31, 2009. Employees may choose to contribute up to 80% of their pay up to IRS legal limits and are always 100% vested in the contributions they choose to defer. There is no employer matching to this plan.

As of April 1, 2009, a new 401(k) plan was established for all employees hired on or after April 1, 2009 who are not covered under any other qualified profit sharing or pension plan to which the employer contributes. This plan provides an automatic contribution arrangement. Employees are automatically enrolled to defer 3% of pay with an increase of 1% per year up to 10% of pay unless they choose to defer a different percentage or elect not to participate in the plan. The ACLU will match 100% of employee contributions up to 1% of pay and 50% of employee contributions up to the next 5% of pay. The ACLU will also make an additional contribution equal to 2% of pay for each pay period. Employer contributions become 100% vested after two years of service. There were no contributions by the Foundation for the years ended March 31, 2012 and 2011. Employer 401(k) contribution expense reported by the Affiliate for the year ended March 31, 2012 and 2011 was \$2,353 and \$1,939 respectively.

NOTE 4 – RELATED PARTY TRANSACTIONS

The American Civil Liberties Union of Tennessee Foundation Inc. (The Foundation) is an affiliate of the American Civil Liberties Union national organization, with principal offices in New York, New York. Under the affiliation agreement, the local and national organizations are each required to share certain types of contribution revenue with each other. During the years ended March 31, 2012 and 2011, there was \$173,688 and \$183,855, respectively in shared contributions from the ACLU national organization.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation is a related organization of the American Civil Liberties Union of Tennessee Inc. (The Affiliate) which performs various functions related to lobbying through legal efforts. Expenses of the overall organization are allocated between the Foundation and The Affiliate as follows:

	<u>2012</u>	<u>2011</u>
Foundation	\$ 604,486	\$ 537,777
Affiliate	<u>65,354</u>	<u>61,395</u>
Total	<u>\$ 669,840</u>	<u>\$ 599,172</u>

The Affiliate pays out all salaries and payroll expenses for the Affiliate and The Foundation. As a result, the Foundation transfers funds to cover their portion of salary and payroll expenses to the Affiliate. During the years ended March 31, 2012 and 2011 the Foundation was due \$39,757 and \$21,273 respectively from the Affiliate.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 21,050	\$ 21,050
Office furniture & equipment	43,852	40,344
Accumulated depreciation	<u>(25,859)</u>	<u>(14,375)</u>
Total Fixed Assets	<u>\$ 39,043</u>	<u>\$ 47,019</u>

NOTE 6 - LEASE COMMITMENTS

The Organizations lease office space under a non-cancelable operating lease agreement. The lease requires monthly payments of \$4,829 through October 31, 2012. The lease includes an increase of 3.2% per lease year, which commences November 1 of each year. The lease expires October 31, 2016 with one five-year option to renew.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 6 - LEASE COMMITMENTS (CONTINUED)

Lease expense is included in the Statement of Activities and is allocated between the Foundation and the Affiliate as follows:

	<u>2012</u>	<u>2011</u>
Foundation	\$52,437	\$57,194
Affiliate	<u>5,149</u>	<u>6,018</u>
Total	<u><u>\$57,586</u></u>	<u><u>\$63,212</u></u>

Future minimum lease obligations of the overall organizations are as follows:

For the year ending March 31, 2013	\$ 58,734
March 31, 2014	60,632
March 31, 2015	62,602
March 31, 2016	64,651
March 31, 2017	<u>38,422</u>
TOTAL	<u><u>\$ 285,041</u></u>

NOTE 7 – CASH IN EXCESS OF FDIC INSURED LIMITS

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts are guaranteed by the FDIC up to \$250,000. At March 31, 2012, The Foundation had \$165,691 in excess of FDIC insured limits. The Foundation has not experienced any losses in such accounts.

NOTE 8 – TEMPORARILY RESTRICTED GRANTS

The Foundation received a \$25,000 grant from the National American Civil Liberties Union Foundation. The grant is restricted for combat against racial profiling of immigrants in Tennessee. As of March 31, 2012, the Organization had \$10,648 remaining from this grant to be used for its specified purpose.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2012 AND 2011**

NOTE 9 - DONATED SERVICES AND EXPENSES

The Organization recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney services used in the Organization's program services and amounted to \$23,063 and \$63,831 for the years ending March 31, 2012 and 2011, respectively. These amounts are reported as both in-kind donation revenue and in the donated services expense on the Statement of Functional Expenses.

NOTE 10 – CONCENTRATIONS

The Foundation received grant income from one funding source during the year ending March 31, 2012 that comprised 71% of total contributions and grants.

NOTE 11 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions by incurring the expenses required for the intended purpose that was specified by the grantors during the years ending March 31, 2012 and March 31, 2011.

NOTE 12 – RESTATEMENT OF FINANCIAL STATEMENTS

During the course of the audit, management discovered that all funds, rather than a portion of the funds, from an SAI grant had been used for its intended purpose for the year ended March 31, 2011. Therefore, the original report dated December 12, 2011 incorrectly stated Temporarily and Unrestricted Net Assets. Previously issued financial statements have been restated to correct this error. The correction has no effect on the results of the current year's activities; however, the cumulative affect results in the following changes to the March 31, 2011 financials:

	As Previously Reported	As Restated	Change
Unrestricted Net Assets	500,802	695,754	194,952
Temporarily Restricted Net Assets	205,600	10,648	(194,952)

NOTE 13 – SUBSEQUENT EVENTS

The Foundation received \$50,164 in restricted grants for use in the Strategic Affiliate Initiative Program in April 2012 and another \$51,180 in June 2012. They also received \$41,131 from the National ACLU in August 2012 for "National Reconciliation."